

Social Capital:  
Two Case Studies of Chinese Small Business in the Greater Phoenix  
and Los Angeles Areas

by  
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## **ABSTRACT**

As immigrants in the United States, Chinese small business entrepreneurs often encountered social and cultural barriers in the areas of finance, language, and employment in their new environment. This dissertation investigated how they utilized social capital to surmount the embedded disadvantages of an unequal market in their adopted country. The findings presented in this qualitative descriptive multi-case analysis, conducted in the greater metropolitan regions of Phoenix and Los Angeles, demonstrated the importance of social and transnational ties created in the United States within the local Chinese community as well as their social connections brought from China.

Drawing upon the data from in-depth interviews and informal observations, this dissertation was guided by three research questions: (a) What barriers do immigrant small business owners encounter? (b) What social connections provide help for immigrant small business owners to overcome those barriers or intensify their disadvantaged situations? (c) How do social networks influence immigrant small business development? The findings revealed many provocative facts on how social capital stimulated Chinese immigrant small business owners.

The influence of local and strong ties especially provided essential start-up funds, an affordable labor force. Those ties also provided authentication for business information provided by weak ties. Although the governments' Small Business Administration empowers small business by various programs because it is an important social and economic element in the U.S. market, the Chinese community rarely utilized this support.

Transnational connections played an important role in the relatively mature market found in Los Angeles, but indeed all respondents in both case studies exhibited great interest in utilizing transnational connections to explore business opportunities. Regional connections provided a powerful resource for Chinese small business to create business alliance and increase their market competitiveness. Social capital embeds in a complexity of political, economic, social and personal backgrounds. In summary, social capital was an essential resource for Chinese small business when they encountered the barriers in the local market. From the findings, this dissertation's scholarly contribution adds to the field of social capital studies by combining the investigation of social capital, embeddedness, intersectionality and transnational connections in respect to study immigrant entrepreneurship.

To my Children:  
Audrey Ruochuan Kwoh,  
and  
Aiden Ruoyi Kwoh.

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## **CHAPTER 1: INTRODUCTION**

When Chinese immigrant entrepreneurs started a business in the United States, they typically found themselves embedded in a structurally unequal market due to financial, social and cultural barriers. During the past three decades the concept of social capital has gained popularity and is widely applied in political science, sociology and economics. In this dissertation, social capital is simply defined as the web of social relations possessed by an individual and developed within communities. This helps to understand and utilize social capital in the context of Western and Chinese ideologies. The importance of social networking and social capital in entrepreneurship studies is evidenced in academic and empirical research which validates these prevalent social themes in overcoming economic barriers and promoting business opportunities. Social capital is influenced by the surrounding social and economic environment. Social networks have been found to be a source of value that are often utilized to offset the costs of government malfunction and market failure (Somers, 2008). While lacking resources in the American market, social capital helped to access critical resources for Chinese entrepreneurs to overcome market barriers. Pierre Bourdieu, James Coleman and Robert Putnam are three prominent scholars who have contributed greatly to the theorization of the social capital concept (Bourdieu & Wacquant, 1992; Schuller, Baron & Field, 2000; Mclean, Schultz & Steger, 2002; Rankin, 2002; Adam & Roncevic, 2003; Field, 2008), and many other scholars have made significant contributions to the empirical as well as conceptual analysis of social capital (e.g. Mark Granovetter, Alejandro Portes & Michael Woolcock).

From existing literature, the main tenet of entrepreneurial social capital study focuses on the social networking between enterprises, with government agencies and communities, and the business level of management relationships. The study of social capital in Chinese immigrant small business generally concentrates in two directions: 1) studying social relationship inside the Chinese enclave (Engelen, 2001; Li, 2009), how entrepreneurs utilize social capital to break in and break out from ethnic enclaves (Zhou & Logan, 1989; Model, 1992; Ong, 1992; Tseng, 1995; Engelen, 2001; Li, Zhou, Dymski & Chee, 2001; Liu, 2001; Preston, Lo, & Wang, 2003; Zhou, 2004; Saxenian, 2006; Li, 2009; Wang & Warn, 2018), and 2) how to use social capital to manage a business entity (Yeung, 2000; Preston, Lo, & Wang, 2003; Salaff, Greve & Wong 2006; Wang & Warn, 2018 ). The classic study of immigrant entrepreneurship focuses on ethnicity and neglects intersectionality, the analysis of the entrepreneurial backgrounds constructed by class, gender, ethnicity, and race solidarity (Valdez, 2011). However, current studies that include intersectional discussion do not have adequate investigations of transnational analysis (Anthias, 2012; Patil, 2013; Lafleur & Romero, 2018; Wang & Warn, 2018).

Under globalization, transnational linkages become an important element in immigrant entrepreneurship. Transnational linkages are common among immigrant entrepreneurs (Fong & Luk, 2006), and this concept is valuable in combination with social capital, embeddedness, and intersectionality in the of study immigrant entrepreneurship (Bagwell, 2018; Kariv, Menzies, Brenner & Fillion, 2009; Aygoren & Nordqvist, 2015; Romero & Valdez, 2016; Saxenian, 2002; Wang & Liu, 2015; Wang & Warn, 2018; Valdez, 2011, 2016). Transnational connections and transnational corporations did increase visibility in academic studies, such as Saxenian's (2006)

research about international connections between Silicon Valley and other countries; however, there are still insufficient studies of transnational linkages (Fong & Luk, 2006). Too few studies investigated the functions of transnational linkages and how small business owners utilize such connections, and how transnational connections interact with local, regional, and national social ties. The study of transnational linkages is a newer approach to social capital study and one of the focuses in this dissertation. Transnational entrepreneurship studies investigate emigrants' economic linkages between the receiving and the sending countries (Bagwell, 2018; Kariv, Menzies, Brenner & Filion, 2009; Light 2007; Portes, 1995; Saxenian & Hsu, 2001; Saxenian, 2002; Wang & Liu, 2015; Wang & Warn, 2018). In this dissertation, this concept is expanded and defined to mean that transnational linkages are the social connections between at least two countries (Kariv, Menzies, Brenner & Filion, 2009; Levitt & Jaworsky, 2007; Liu, 2001; Yeung, 2000), such as between the United States and China. The influence of transnational networking includes the motivation of business, production modeling, management, financing, and marketing (Bagwell, 2008, 2018), and production linkage (Pavli'nek, 2018; Robinson, 2004, 2010, 2011; Williams, 2000, 2003). In exploring this concept, the networks and the entrepreneurs who established the networks were also investigated in this research. This research also explored how Chinese small business owners obtained management tools, financial aid, or emotional support from other countries.

This dissertation provides a comprehensive and systemic analysis of social capital and immigrant entrepreneurship by analyzing the issues, theories and concepts of social capital, embeddedness, intersectionality, and transnationalism as my theoretical framework. Thus, the significance of this dissertation is that it combined social capital



analysis with the consideration of intersectional background consisting of class, gender, and markets under the global trading environment. Utilizing qualitative case study methods, this dissertation is focused on exploring how Chinese immigrant entrepreneurs in the Greater Phoenix and Los Angeles areas use social capital to overcome the barriers faced after arriving in the United States. In this project Chinese small business owners were queried about their utilization of transnational connections to expand their foreign business opportunities in America.

This dissertation project recruited 23 respondents from Phoenix and Los Angeles. All respondents are in the category of small business as defined by the U.S. Small Business Administration<sup>i</sup>. Their businesses included restaurants, food supply, bakery, printing, garments, construction, medical, legal service, consulting, education, wholesale and retail. In-depth interviews and observations over the past nine years were used to analyze the importance of social capital with respect to essential funds, the labor force, and a business information resource for Chinese immigrant small business owners. From the two case studies, the impacts of social capital through all stages of business development and varying types of social capital in different types of business were investigated. This research also explored how social capital helped to access essential support resources for Chinese small businesses when they encountered barriers in the local market. The objective of this qualitative, descriptive multi-case study was to isolate the most important social ties between Chinese entrepreneurs within their surrounding social environments in China and the United States and to learn how social capital affected immigrant entrepreneurial activities in overcoming embedded disadvantages such as being in a marginalized market position. Both positive and negative outcomes

from social capital was also investigated. When social capital became one of the break-out strategies for Chinese immigrant business owners to expand their business, it also added burdens on them such as gift giving, time and energy consuming social activities.

The terms entrepreneur and small business owner are often interchangeable (Kuratko and Hodgetts, 2007). Some scholars suggested that there should be a distinction between entrepreneurs and business owners based on either innovativeness or risk. The distinction often serves as a means of devaluing some types of business owners as not “true” entrepreneurs just because they were small and did not create much innovation (Aldrich & Waldinger, 1990). This dissertation includes both terms as co-equal. Chinese immigrant entrepreneurs and Chinese small business owners are referred to as respondents.

## **RESEARCH QUESTIONS**

Social capital studies on entrepreneurship have a wide range of approaches, such as entrepreneurial motivation, management networking, labor issues, and international collaboration. On immigrant entrepreneurship, social capital research tends to focus on how ethnic entrepreneurs obtain their initial resources to start their businesses, such as Light and Bonacich’s study (1988) on Korean immigrant entrepreneurs, and how they used social networking to expand their businesses and Saxenian’s (2002, 2006) investigation on how U.S. educated immigrant entrepreneurs often used transnational connections to expand their businesses. Therefore, in general, the existing social capital studies of ethnic businesses concentrate on how social capital helps to obtain resources and emphasize the function of social capital in business activities. I conducted two pilot

studies of Chinese-American and Chinese entrepreneurship in 2011 and derived three research questions from these studies:

- What barriers do immigrant small business owners encounter?
- What social connections provide help for immigrant small business owners to overcome those barriers or intensify their disadvantaged situations?
- How do social networks influence immigrant small business development?

To further understand these three research questions and obtain a clearer picture of this dissertation research, it is necessary to introduce background information about the implication of social capital in Chinese immigrant entrepreneurship and Chinese immigrants.

## **THE BACKGROUND OF CHINESE IMMIGRANTS AND CHINESE IMMIGRANT ENTREPRENEURSHIP**

In this dissertation research, Chinese immigrant small businesses constructs the base of this project. In fact, the term Chinese immigrants is complicated because of various historical reasons. To understand respondents' social, cultural, and economic activities and preferences, it is important to conceptualize Chinese immigrant entrepreneurs by their history. Next, I will introduce background information, and this background discussion will provide a fundamental foundation in support of this dissertation:

**Chinese Immigrants/ Diaspora Entrepreneurs.** Prior to the Chinese Communist Revolution of 1949, large emigration movements to other countries were already occurring with rapidly expanded Chinese transnational networks (Weidenbaum & Hughes, 1996) to the United States. Beginning in the mid-1800s, adventuresome and

enterprising Chinese, mostly from Guangdong province, arrived in California due to the American gold rush (1849-1855) and the building of the transcontinental railroad (Steiner, 1979). In 1965 a study found that about 90 to 95 percent of the Chinese immigrants in the United States could trace their roots to Guangdong province (Lai, 2004). After the repeal of the exclusion era 1882-1943, and the introduction of the U.S. Immigration and Nationality Act of 1965, Chinese migration to the United States increased significantly. Initially, because of various legal, cultural, and economic barriers, the immigrants were constrained from obtaining many jobs in the local labor market. Consequently, Chinese immigrants often benefited from social capital by employment in Chinese ethnic communities or became small business operators<sup>ii</sup> who did not wish to compete with their counterparts in the mainstream labor market (Li, 2009).

Chinese immigrant/diaspora entrepreneurs<sup>iii</sup> tend to share some common characteristics. For instance, the Chinese business owners had social capital, which is essential for starting and developing businesses. Referring to Ma's (2003) analysis, in this dissertation Chinese diaspora refers to a group of people dispersed from a common Chinese ancestral homeland and have settled in various places. Since the late 1960s, the definition of diaspora has been broadened to be used for a wide range of population includes immigrants and ethnic and racial minorities (Hickman, 2005). Chinese immigrant entrepreneurs were the main focus in this dissertation in terms of Chinese diaspora<sup>iv</sup> entrepreneurs.

Such Chinese social networking is based on very complicated roots of ethnicity and identity<sup>v</sup>. Many have family-owned businesses with limited economic capital. Thus, they have a propensity to rely on capital from families, friends, and personal savings.

Their businesses are geographically concentrated around co-ethnic groups (Li, 2009)<sup>1</sup> and tend to cluster in urban areas characterized as Chinese enclaves.

Immigrant entrepreneurs often face the challenges of exploitation and isolation (Valdez, 2011, 2016). As a small business owner, many Chinese immigrant entrepreneurs are subcontractors to large transnational corporations (TNCs)<sup>vi</sup> and are vulnerable to exploitation from the U.S. market competition thus put at a disadvantage by the large U.S. domestic companies. In the global economy, global labor becomes loosely defined, and workers are gradually treated as a subcontracted element instead of a fixture attached to an established organization (Robinson, 2004). With respect to isolation, although Chinese enclaves help immigrants to find employment or discover business opportunities, these enclaves also limit the ability of Chinese small business owners to break out of their comfort zone and expand their businesses into other markets that result in isolation (Yeung, 2000; Wang & Warn, 2018). These situations illustrate the potentially negative side effects of social capital.

Chinese Diaspora entrepreneurs can experience discrimination along with a shortage of resources. As subcontractors of large TNCs, they may suffer from exploitation. Despite these barriers, historically, their Chinese roots help Chinese business owners to build business networks across borders. Having the advantage of cultural and social capital generates economic capital such as remittances and global investment funds for Chinese transnational entrepreneurs<sup>vii</sup> to conduct their businesses.

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<sup>1</sup> This situation varies by business types.

By investing back in China, one of the largest markets in the world, they can utilize their ethnic social networks, business expertise, language, and cultural skill to reconcile and decrease the impacts of exploitation and isolation (Saxenian, 2006).

An important element of this introduction must include a discussion of the Chinese Diaspora. In this dissertation, the term, Chinese diaspora, was used when referring to overseas Chinese (*Huaqiao*, 华侨), specifically, native Chinese citizens who hence resided outside of the Greater China area (Poston & Wong, 2016; Schüller & Schuler-Zhou, 2013). For instance, with transnational activities the Chinese population has spread widely throughout the world. One would logically assume the number of Chinese diasporic entrepreneurs should gradually increase world-wide. Because of the complexity of political, social, historical, and religious reasons, many people with Chinese roots have become so integrated in their new adopted environment that they lose their “Chinese” identity.

Ong (2006) also argued that one should not assume that a Diasporic community composed of those belonging to the same ethnic group or the same homeland country is unified. The community exhibits the vast, unstable, splitting, and recombining of differences in nationality, ethnicity, language, religion, and class origins among Chinese migrants. Ong proposed a possible solution for researchers by employing self-description for different immigrant groups and the use of trans-local publics. Based on the definition of Chinese diaspora and inherited cultural capital, respondents were allowed to self-define their identity in this dissertation. Many people with Chinese ancestors still keep a certain cultural consciousness which is shown in various subtle forms in their daily lives

(Wang, 2011), For example, a vast number of ethnic Chinese nationals living outside mainland China maintain their historical cultural identity, preserving their Chinese traditional folk stories and history. Many ethnic Chinese in Southeast Asia and North America keep their traditional customs and culture artifacts, including daily clothing, cuisine, traditional holidays, rituals, furniture, architecture, and traditions, even without any direct experience in their homeland (Wang, 2011). Many entrepreneurs with Chinese roots utilize Chinese based social capital to start and conduct their business globally. Because of the huge market in China, some are employed by TNCs or multinational corporations (MNCs) because their knowledge, language skills, and cultural background help the TNCs or MNCs open Chinese markets. Many Chinese nationals living in other countries could be grouped as Chinese transnational entrepreneurs. With this Chinese background, transnational Chinese entrepreneurs can break out of isolation by building transnational ethnic networks (Wang & Warn, 2018).

When facing tensions and issues, modern Chinese transnational entrepreneurs can overcome problems and utilize Chinese cultural capital to promote benefits and reduce barriers. They still share some common characteristics as traditional groups, including an understanding of the importance of Chinese social capital. On the other hand, many Chinese immigrants, after the end of the Cold War, in different waves have different characteristics economically, culturally, and politically (Liu, 2010). Many were born in the People's Republic of China, received their education in China, and those with college educations pursued higher education and working experience outside of mainland China (Saxenian, 2006; Wang & Warn, 2018). These characteristics open the door for many modern Chinese transnational entrepreneurs to break out from the limitations of

economic enclaves. They still maintain close family connections with mainland China but do not rely only on these connections. They build their business linkages through alumni, working peers, and business partners. To illustrate the difference, family funds are often not the major financial resources for their businesses. The modern Chinese transnational entrepreneurs have better knowledge and skills to obtain global capital investment (Ma & Cartier, 2003; Wang & Warn, 2018). These Chinese transnational entrepreneurs are popular and desirable inside and outside of mainland China with their talent and broad social networking abilities. With their educational background, professional knowledge, and transnational skills, new Chinese transnational entrepreneurs have gradually developed businesses such as computer manufacturing and transnational financing services that were previously controlled by mainstream counterparts (Li, 2009; Saxenian, 2006).

The early Chinese settlers clustered mostly in the Chinese enclaves in America. Since the 1960s, with the desire for better neighborhoods, housings, and schools, those economically and socially advantaged Chinese moved to the city suburbs. During the same period, a new trend developed because many new immigrants with higher educations, professional occupations, and financial capabilities also settled directly into city suburbs without struggling in the inner city (Li, 2009). Under globalization and the economic development in China, China offered opportunities for people educated in the United States. Saxenian (2006) found, these Chinese professionals were able to move back and forth between the United States and China with some professionals returning to China.



In summary, this chapter introduced the theoretical framework for this dissertation. Within this framework and the findings of my 2011's pilot studies, I developed three research questions as the focus for this research. Two important foundations of this project, transnational linkages and small businesses were defined. This chapter also introduced and conceptualized Chinese immigrant entrepreneurs as the background source for social capital investigations. In doing so, this scoped and helped to identify participating respondents, and to understand the implication of the Western term, social capital, in a Chinese context. To clarify and support all these terms and issues, Chapter Two will introduce and discuss related scholarly literature resources.

## **PLAN OF DISSERTATION**

Chapter Two, The Literature Review, introduces scholars in social capital studies such as Robert Putnam, Pierre Bourdieu, and James Coleman. This chapter encompasses discussions on social capital and immigrant entrepreneurship and the issues and barriers encountered. It also introduces debates on the negative effects incurred by social capital.

Chapter Three defines the research design methods for the case study of Chinese Immigrant Entrepreneurship. I will introduce the research development and methodology concepts used in the study of Chinese immigrant small businesses. This chapter includes two pilot studies; one study was conducted in Phoenix and the other in Dongguan, China. These studies facilitated the development of the research and interview questions for this project. This chapter also includes the development of sampling techniques and the research plan for Phoenix and Los Angeles.

Chapter Four and Five contain the findings and analysis of the Phoenix and L.A. case studies respectively. These chapters are similar in structure and contain four thematic sections:

- a) how Chinese small business owners started the business
- b) the barriers they encountered
- c) business strategies used to reach goals and overcome barriers, and
- d) how business owners addressed business achievement.

The findings from these two chapters focused on the elements of social capital in Chinese small businesses during the inception stage, business development stage, and business achievements at maturity.

Chapter Six, the conclusion, compares similarities and differences between the Phoenix and L.A. case studies. This chapter analyzes the findings by considering concepts of social capital, embeddedness, intersectionality and transnationalism. It also includes limitations of this project, the recommendation for a future study, and policy implication.

## **CHAPTER 2 : THE LITERATURE REVIEW AND THEORETICAL FRAMEWORK : SOCIAL CAPITAL AND IMMIGRANT ENTREPRENEUR THEORIES**

This chapter of my dissertation provides the fundamental theories and concepts utilized in constructing the basic theoretical framework required to accurately guide my research. This project investigated how to obtain insight into the role that social capital played as the Chinese immigrant small business owners strived to overcome their market disadvantages. These disadvantages included financial, social, cultural and institutionally deprived situations found in a competitive market while starting and developing their businesses. Two major theoretical concepts utilized in developing this project were social capital and immigrant entrepreneurship, which include theories and concepts of embeddedness, intersectionality and transnationalism. When investigating Chinese immigrant small businesses in the United States, it is important to understand social capital and how it helped small business owners to overcome barriers and obtain the resources to circumvent systemic discrimination found in the U.S. society under globalization.

To prepare for this dissertation, I relied upon the theories of scholars, Pierre Bourdieu, Robert Putnam, and James Coleman who made significant contributions in advancing the study of social capital. To augment my research, additional literature related to social capital, entrepreneurship, transnational connections, and Chinese immigration utilized herein provided important concepts for discussion (e.g. Light & Bonacich, 1988; Mark Granovetter, 1973, 1985; Kloosterman, 2010; Jurik, 2005; Li, 2009; Portes & Sensenbrenner, 1993; Portes, 1998; Saxenian, 2002, 2006; Valdez, 2011,

2016; Woolcock, 1998, 2000, 2001, 2002). Additionally, cultural differences in social capital between Chinese and the Western society had to be considered. Thus, it was important to understand those subtle peculiarities to approach Chinese immigrant small business owners. To support the theoretical framework, this dissertation contains fundamental elements of Social Capital, Immigrant Entrepreneurship, Embeddedness, Transnational Connections, Weak/Strong ties and Bonding and Bridging Social Capital, and Positive and Negative impacts of social capital.

## **SOCIAL CAPITAL**

Social capital originated in sociology. Later, economic literature adopted this concept (Loury, 1977, 1981) and discussed this term from an economic point of view. Coleman introduced social capital as a useful tool in the creation of general theories of social action, combining sociologic and economic approaches. Putnam approached social capital from a sociological and political science perspective. Economists made social capital compatible with economic concepts such as human capital and market failure.

Previous references to social capital were mostly positive and useful; however, when economists applied social capital in empirical economic research, certain contradictions of interpretation arose. Peter Knorringa and Irene van Staveren (2007) argued that, first, social capital contains different characteristics than physical and financial capital, both of which can depreciate with its usage and the accumulation can generate interest. Social capital increases with its use and depreciates when not utilized. Second, there is no property rights, no owner, of social capital. Third, when it connects to economic variables such as unchanging preferences, individual utility maximization, market failure, the relationship, or the connections need clarification. The basic

characteristics of social capital is at the social level embedded in human relationships. Thus, one must understand social capital as it has evolved from its earlier conceptual base associated mainly with the study of class, economic fortunes, and group affiliation to its current focus on entrepreneurship, political democracy, and globalization studies. It is important to introduce three of the foremost scholars of social capital theory: Robert Putnam, Pierre Bourdieu, and James Coleman.

**Robert Putnam.** In the late 1990s, Robert Putnam, an American political scientist, significantly popularized the concept of social capital both inside and outside academic circles by applying it to studies on macro level analysis of national democracy and civic engagement. Putnam's theory is influenced by the concept of social capital from Coleman and the sociology of networking. His work generally can be divided into two parts: the study of regional government in Italy and declining social engagement in the United States.

Putnam studied the Italian political reform environment of the 1970s. In his book *Making Democracy Work: Civic Traditions in Modern Italy* (1994), he revealed that social capital causes a region to have a healthy functioning economic system and a high level of political incorporation. In his research, Putnam found that the success of governmental reform in Northern Italy was due to the support of the civic community. This explained the economic accomplishment between Northern Italy as compared to Southern Italy.

Later, Putnam utilized social capital (2001) to investigate social problems caused by the reduction of social engagement in the United States starting in the 1950s. Putnam examined the decrease in social capital in the book *Bowling Alone: The Collapse and*

*Revival of American Community*. He analyzed the decline of social capital from four dimensions—trends in civic engagement, reasons, context, and future perspectives. Putnam chronicled that social change caused the decline of social capital in the United States. He used the term “bowling” as a metaphor to describe the social change seen in America. Strong bonds brought people together like members of a bowling team, but currently, due to social isolation, individuals tend to bowl alone rather than in leagues. Schuller, Baron and Field (2000) stated the shifting of the emphasis from trust to reciprocity represents Putnam’s latest work.

Putnam defined social capital as: “...connections among individuals—social networks and the norms of reciprocity and trustworthiness that arise from them” (Putnam, 2001, p.19). He agreed that social capital “has both an individual and a collective aspect—a private face and a public face” (Putnam, 2001, p.20). Comparing Putnam to Coleman and Bourdieu, Putnam tended to focus on social capital’s collective characteristics. He believed social capital evolved from the individual to a collective dimension which focuses on social development (DiTomaso & Bian, 2018), civic trust, and integration dynamics. Consequently, Putnam referred to social capital as “civic virtue”<sup>viii</sup> and emphasized voluntary association and collective groups to elaborate on social capital. For him, social capital “...[has] ‘externalities’ that affect the wider community...” (Putnam, 2001, p.20). He believed that an individual with good social connections in a poorly connected society is not as productive as a well-connected society (Putnam, 2001). Because of his applying social capital to collective dimensions, Putnam has become very influential in recent academic circles.

Bonding and bridging social capital are utilized by Putnam (2001) to discuss social ties. Bonding social capital constitutes homogenous social connections, and it creates strong “in-group loyalty and out-group antagonism” (Putnam, 2001, p.23). Bonding social capital, binds in certain group reciprocity and solidarity, and it creates solid networks such as the connections in ethnic enclaves that provide crucial support for its ethnic members. Bridging social capital, by contrast, creates connections for heterogeneous networks. It creates linkages among different circles, bridging people across gender, race, geography, religion, and culture to build connections. However, “...bonding and bridging are not “either-or” categories into which social networks can be neatly divided, but “more or less” dimensions along which we can compare different forms of social capital” (Putnam, 2001, p. 23). Bonding and bridging social capital provide a general concept of different functions of different social networks. These two concepts at some level fill the gap of Coleman who failed to answer what kind of social networks facilitate people pursuing goals.

Moreover, bonding and bridging social capital are two valuable concepts in the study of Chinese small business studies. Bonding social capital can examine the in-group connections. In Chinese context, these in-group connections can be studied by examining the relationship between family and clan ties with other business owners. Outside the greater China area, the bonding social capital concept can be utilized to explain the issues between ethnic Chinese small business owners and enclaves. Bridging social capital concept is important to investigate the out-group connections with business owners. These out-group connections come from government, local business associations, regional, national, and international business/personal connections.

Putnam described social capital as a positive element to enhance democracy and increase social efficiency. He elaborated on how social capital works as a commendatory booster to reach positive outcomes. He emphasized the positive consequences of social capital, “mutual support, cooperation, trust, institutional effectiveness” (Putnam, 2001, p. 22). Even though Putnam (2001) realized the dark side of social capital, he was criticized by other scholars who suggested that social capital does not always produce positive consequences but may also create undesirable outcomes (Trigilia, 2001 as cited in Milella, 2004). For example, the social capital inside a Chinese family owned business produces negative impacts such as paternalism, nepotism, personalism, and fragmentation (Yeung, 2000), and in-group social capital constrained Chinese entrepreneur business development (Wang & Warn, 2018). In addition, Yeung argues the solution that internationalization strategies cannot offset those limitations. Thus, there are many critiques of Putnam’s works. For example, Manfred B. Steger (2002) challenged Putnam’s concept about the decline of social capital in the American society. Steger considered Putnam did not reconcile the social changes in American society with the advent of globalization. Indeed, globalization causes many social changes. For example, it pulls people out from the actions within local communities into international activities. In addition, globalization creates different groups for people to become involved. Moreover, Putnam believed the decline of social engagement was in part due to the change of civic generations, but Scott L. Mclean (2002) challenged Putnam’s strict definition of “generation,” which should not be limited only to the biological age of a generation but should also consider the shared experiences among members of different generations.



**Pierre Bourdieu.** Pierre Bourdieu is also widely known for popularizing the concept of social capital. His contribution is especially noted in his exploration of the exchangeable characteristics of three forms of capital—economic, cultural, and social capital (1986). He also discussed the advantages of social capital and the terms of *habitus* and *field*. A French sociologist, anthropologist, and philosopher, Pierre Bourdieu in the 1960s introduced the concept of the *habitus* which offers a bridge between subjective individuals and objective structures. “The habitus is a set of dispositions, reflexes and forms of behavior people acquire through acting in society”<sup>ix</sup> (Bourdieu, 2000, p.19). Rankin (2002) pointed out that the *habitus* is revealed as the convergence of social hierarchy, presumed social morality in a society, ideological frameworks, and perceptions of the subordinated groups. An individual’s *habitus* is shaped by his/her position in the social hierarchy through their knowledge of culture (i.e., cultural capital) and their access to social networks (social capital).

Bourdieu is the first to develop a structure to study social and cultural forms of capital that he named symbolic capital (Rankin, 2002). He believed that an individual’s social position is a result of interactions among the rules in a specific *field*<sup>x</sup>, an individual’s *habitus* and capital—social, cultural, and economic. These three elements strongly influence each other. “A capital does not exist and function except in relation to a field” (Bourdieu & Wacquant, 1992, p.100). For him, capital takes time to accumulate, and it has the potential power to produce profit. In his article *The Forms of Social Capital* he presented capital in those three essential forms. Economic capital is immediately and directly converted to monetary capital, and it also can “be institutionalized in the form of property rights” (Bourdieu & Wacquant, 1992, p. 243). Bourdieu used the metaphor

“cultural capital” to discuss the *habitus*. Cultural capital can be institutionalized in the form of scholastic requirements; social capital can be institutionalized in the form of “a title of nobility” (Bourdieu & Wacquant, 1992, p. 243). Cultural capital and social capital in certain conditions can both be converted to economic capital (Bourdieu, 1986).

Bourdieu stated that social capital is never completely independent from cultural and economic capital. In addition, these three forms of capital interconnect with each other, and economic capital is at the root of other capital. Social capital, for Bourdieu, acts as a multiplier for economic and cultural capital (Schuller, Baron & Field, 2000). Rankin (2002) draws on Bourdieu’s theory to argue further that increasing social networks, for example in microfinance programs, can exacerbate or intensify social inequalities within a larger social context of inequalities.

Bourdieu’s study is especially important because he brings attention to the role of social capital to facilitate the explanation of the processes in social class reproduction, and his concept of *habitus* helps researchers to realize that social capital is not just about increasing social contacts. *Field* and *habitus* are helpful for my Chinese small business study in understanding the social and cultural influence on small business networks. The three forms of capital are valuable in the investigation on how social capital facilitates small business’s growth.

Bourdieu critically approached social capital, and he revealed that social capital excludes those who try to obtain resources without joining or acquiring membership (DiTomaso & Bian, 2018). His concept about social capital connected with his theoretical perception on class, with the emphasis on social relation dynamics (Siisiäinen, 2000). “[P]rofits which accrue from membership in a group are the basis of the solidarity... to

secure the profits of membership—material profits...such as those derived from association with a rare, prestigious group” (Bourdieu, 1986, p. 249). He believed that social capital can be exchanged for economic capital and benefits those who possess such social networks. Most importantly, his descriptions of social capital were grounded within a larger theoretical framework of social reproduction. Bourdieu was interested in the ways in which cultural, social and economic capital converge to reinforce existing social inequalities. James Coleman, on the other hand, focused on the relationship between human and social capital, and used this term to search for the explanation of social actions.

**James Coleman.** James Coleman was an American sociologist and theorist of education. His studies on social capital stemmed from economic and sociologic disciplines (McLean, Schultz & Steger, 2002). Different from Bourdieu, James Coleman utilized functionalist approach to study social capital. His work has heavily influenced educational sociology research. From the 1980s he emphasized the relationship between social capital and educational achievement.

He demonstrated that social capital conveys real benefits to the poor and marginalized communities (Field, 2008). Coleman and other sociologists, in studying American high schools in the early 1980's, noticed that the higher expectations of teachers become particularly beneficial for students from the least advantaged backgrounds. Therefore, Coleman used social capital to help recognize the relationship between educational achievement and social inequality (Schuller, Baron & Field, 2000). Coleman perceived social structure resources as a capital asset for individuals. He argued from a socio-historical point of view that individuals are embedded in a level of existing

social structures consisting of rules and norms. However, economists hold a different point of view, and they often state individuals create their own value, rules and norms. Based on those premises, Coleman made an alternative view, and he employed the concept of social capital to explain social interactions. For him, social capital is in the structure of social relations but not a feature of individuals. It helps people to trust each other and build relationships, so social capital can be viewed as “connective tissues” of society (McLean, Schultz & Steger, 2002). Therefore, “Social capital is defined by its function...[to] facilitate certain actions of actors...within the structure...making possible the achievement of certain ends...” (Coleman, 1990, p. 302)<sup>xi</sup>. Coleman believed social capital is inherited in the social structure since it exists in social relations; therefore, social capital shows up as a structural phenomenon.

For this Chinese small business study, Coleman’s functionalist’s definition helped to explore positive effects of social capital, but Coleman did not provide as clear a definition for social capital, considering the concept, that has a set of both relations and as resources. Due to the theoretical indefiniteness, one of Coleman’s shortcomings is that he failed to resolve questions of what social entities are assisting individuals pursuing their goals and where do those social entities come from. Another limitation from Coleman is that the only outcome from social structural forces is a positive one (Portes & Sensenbrenner, 1993).

To summarize, based on their different points of view on culture, social structure, and history, Putman, Bourdieu, and Coleman each approached and defined social capital with their own analysis and varied interpretations. It is beneficial for me to take advantage of their definitions and applications of social capital to my research. Bourdieu,

Coleman, and Putman formulated basic frameworks of a social capital concept: Bourdieu's conception of *habitus*, *field*, and three forms of capital; Coleman's context of the relationship between social capital, human capital, and social inequality; and Putman's macro level discussion on the impacts of social capital on economic and political environments. Their studies explored basic characteristics of social capital in economic, sociological and political issues. Based on their research and concepts, other scholars also explored different approaches to study social capital and made significant contributions to social capital study. In different social discourses, cultural backgrounds, and political structures, their studies and definitions can be extended and emphasized, but indeed, some seems fallacious. Therefore, social capital is a concept that should be considered and modified historically, culturally and structurally. Social capital is a broad enough term that can be interpreted many ways according to different research fields, social background, and historical discourses. In the Chinese immigrant entrepreneurial study, social capital provides an approach to study how Chinese immigrant small business owners were embedded in transnational social structures, and how they utilize social connections to access resources and overcome barriers and systematical discrimination.

## **HISTORY OF SOCIAL CAPITAL IN CHINA**

In China, social capital is a term emerging along with capitalism, and it is based on Western social contexts such as religions, democratic values, and free market practices. Basically, it is a Western concept based on Western values and philosophy (DiTomaso & Bian, 2018). It has developed in Western academic and public discourses and recently introduced into the Chinese society. After the establishment of the People's

Republic of China in 1949, social capital in China has experienced different evolutions and debates based on modern social desires and upon existing Confucian traditions.

Western social capital obviously can conflict with traditional Confucian values and social relations. At present, especially after the economic reforms of Deng Xiao Ping in the late 1970s, the idea of social capital is widely applied to various issues in China, such as labor, entrepreneurship, rural migration, market transaction, and business management.

In China, social capital is a process of shifting the historical and cultural implication of traditional relationships from non-monetary to monetary with an economic basis and purpose. Chinese society has traditionally been based on the structure of “*Lunli*” (伦理) which highly emphasizes blood ties and the social hierarchy system.

Chinese “*Lunli*” is a complicated concept. Japanese philosopher Inoue Tetsujirō (1881) borrowed this concept and used the Western words morality and ethics to explain it (Chen, 2009). This Western translation explains some characteristics of Chinese traditional social relationships which highly values moral and ethical virtues. However, morality and ethics are too simple to express the exact meaning in Chinese society. In Confucian tradition, the doctrine for Chinese elites is “*Xiushen, Qijia, Zhiguo, Pingtianxia*” (修身，齐家，治国，平天下)<sup>xii</sup>. This creed means that based on self-discipline, one can reach their final goal to help to direct the country and achieve a perfect world. Based on this concept, social relationships in traditional values are aimed at starting from an individual’s virtues to pursue public interests (Inoguchi, Mikami & Fujii, 2007). The traditional function of social relations based on Confucianism is formed

on the virtue of an individual to reach peace in the world (Inoguchi, Mikami and Fujii, 2007).

Numerous Chinese philosophies devalue building relationships based on monetary purposes. Therefore, in my interviews, in the traditional Chinese relationship, the economic outcome was not the main purpose from respondents. Moreover, traditional Chinese norms even view economically profitable relationships as humiliating. It is important however, to recognize from Chinese history that the traditional Chinese ruling class and traditional literati both outwardly despised economic motivations as the basis of human relationships. Yet, at least until the end of the 19<sup>th</sup> century and the nascent movements for reform of the Emperor system and the stirrings for a Republican form of government at the beginning of the 20<sup>th</sup> century, broader notions of educational access and economic equality for most of the population were non-existent (Tian & Yang, 2002). Social capital within an historical Chinese context then takes on a different configuration and meaning. Hence, in China, social capital, especially social relations and networks, perhaps is closer to the Chinese term “*guanxi*”(关系)<sup>xiii</sup> and generally can be viewed as “social relationships” (DiTomaso & Bian, 2018; Yang, 1994). This makes Western ideology easily accepted by the traditional Chinese “*Lunli*” society. Consequently, social capital tended to change the way that interviewed respondents viewed social interaction that was from non-monetary to economic oriented, and social activities were somehow subordinated to economic life.

In 1988, there were discussions about developing a harmonious relationship between the economy and culture in China. In 1994, the Zhejiang province invited

scholars to conduct a deeper research study on this topic. At the same time, they started a project on regional image improvement, combining the model of constructing an entrepreneurial image within urbanization and government plans. The result of these projects and studies found that the public and scholars noticed culture, trust, norms, and legal systems were very important to social and economic development (Li, 2000). Around the mid-1990s, Chinese scholars, such as Shiyan Sun, Haoran Zhou (editor), and Zhiying Luo, produced numerous publications on this subject (Li, 2000). These research studies noticed that culture including trust, norms, regulations, traditions, networks and images significantly promoted social and economic development. Scholars named it “the power of culture” (Li, 2000).

Although they did not apply the term social capital, scholars realized that Chinese traditional culture is a valuable resource to improve social and economic development, and they noticed that social networks which Chinese also refer to as “*yuan* ( 缘 )” (Bian & Qiu, 2000). They utilized trust, image, norms and regulations to study the macro and micro Chinese economic investment environment. These concepts are similar to the principle theory of social capital (Li, 2000). Therefore, Chinese scholars did not just mechanically copy Western concepts but integrated the concept with Chinese philosophies.

Chinese scholars noticed the value of social capital and applied social capital to study Chinese society. Since 1988 Chinese studies of social capital have gone through three main phases. The first phase concentrated rather broadly, on the relationship between economy and culture. In this period, Chinese researchers noticed the influence



on economy through culture, trust, and norms. The second phase started in the early 1990s, and it was from an institutional economic point of view to study the power relationship of social norms and networks on economic development. The third phase began in the mid-1990s where Chinese scholars turned their direction to issues of rural enterprises, privately owned businesses and rural labor migration, which focused on social networks and employed theoretical approaches (Dai, 2007). Dai (2007) also pointed out that Chinese studies of social capital generally can be categorized in three directions: first, the relationship between economics and culture; second, from an economic point of view, to study the impacts of social norms, legal system and networks on economic development; third, focusing on the theoretical study of social capital emphasizing social networks. From this, Chinese traditional values are developed into theoretical concepts combining with Western ideologies to facilitate economic growth.

Chinese sociologist Qizai Zhang (1997) is the first scholar who introduced the concept of social capital from the West to China and integrated this into his discussion by conducting research studies focusing on social networks (Chen, 2007). He investigated the impact of social capital on economic growth, labor movement, system innovation, and technology. Social capital functions differently according to different historical time frames, and there was a dramatic social change before and after China's economic reform. Based on this, Jun Pu (2001) conducted a research study focusing on Chinese society before China's economic reform. This study focused on concepts of the transactional cost, capitalization, the cost of utilizing outsiders, and framed a method to study the negative effects of social capital. Because privileged resources are difficult to

obtain by outsiders, exclusion is the main characteristic of negative social capital (see in Chen, 2007).

In Chinese social structural studies, Chinese scholars investigated the distribution of social networks, class formation, and social migration which mainly focuses on the migration from rural areas to cities in China. They had fruitful contributions in four parts. Firstly, the study concentrated on Chinese “new” entrepreneurs since the Chinese economic reform. Houyi Zhang found that the most important social capital for private business owners is the relationship with government workers and bankers. Those relationships are more vital than “pure” business information. Xiuyin Shi studied the position and function of Chinese entrepreneurs in social networks. Shi revealed that social relationships could be divided into four dimensions: blood ties, marriage ties, geographic ties, and business ties. Secondly, main contribution to social capital studies emphasized the migration of rural labor. Thirdly, the study focused on the relationship between human capital and social capital, and how education supported the social system. And, fourthly, the last main contribution concentrated on the comparison between strong ties and weak ties in the city suburbs (in Fan, 2004).

By studying the function of social capital in a macro approach, Bat Batjargal and Mannie (Manhong) Liu in the article “*Entrepreneurs’ Access to Private Equity in China: The Role of Social Capital*” (2004) pointed out that the role of local government in business investment activities is complicated. They proposed that *guanxi* and reputation reduce a business’s exposure to risk, particularly among investment decisions of venture capitalists in the People’s Republic of China. They found the Chinese State often plays multiple roles in the development of industry, roles such as the shareholder, investor,

fund manager, and auditor of venture capital firms simultaneously. Consequently, they believed this creates complications and uncertainty in businesses and the environment for economic growth.

Integrating social capital into entrepreneurial studies is a trendy phenomenon in Chinese academic fields. Jingwen Mao (2008) investigated the relationship between Small and Medium Enterprises Clusters (SMEs Cluster) and social capital and concluded that social capital provides excellent resources for SMEs Clusters in China. Networking, trust, norms, cooperation are essential elements to create successful SMEs Clusters. Mao declared that the method of how to increase, accumulate and develop social capital is important for SMEs Cluster studies. She declared that blood ties often do not have the ability to provide the technologies and professional knowledge for small businesses to work in relevant business areas. To solve this dilemma Chinese small and medium size business clusters have to develop cooperative ties between people from the same region, including friends and alumni.

Chinese scholars have also realized the negative aspect of social capital and it is also judged critically in many Chinese small business research studies. For instance, Jinhua Xia and Min Zhu (2008) pointed out the “relations resources” obstruct the social capital development in China. Because social capital has the characteristic of exclusion, the application of “relations resources” will create corruption and prohibit people who have less power from employing specific resources.

By tracking the path of the development of social capital in China, social capital shifts the attention of studying culture to economic development. From the day it was accepted in China, it generally evolved to economic activities. Some Chinese scholars

point out the undesired effects of social capital, but the majority emphasizes its positive attributes.

Thus, although social capital is a concept originating from the West, it has been adapted to and modified by Chinese values, historical conditions and specific social structures. Compared to the West, the study of social capital in China experienced similarities and differentiations. Similarities include the key features of social capital of trust, norms, networks, and reciprocities. Pierre Bourdieu, James Coleman, and Robert Putman's concepts formed the theoretical foundation for social capital in China and Western countries. In addition, the concept of social capital has been studied in multi-levels, from micro to macro. Interestingly, social capital in entrepreneurship study seems to be the new trend in Chinese and Western academic fields. Undeniably, Chinese scholars do make contributions to this concept of integrating Chinese elements. There are distinctive phenomena in Chinese social capital study. Chinese social capital study tends to focus more on Chinese context, culture, and political environment, and it is influenced by Chinese economic reform. Local Chinese governments advocated institutional study for local economic and civic development, and this triggered the importation of social capital from the West to China. Thus, in China social capital started from an institutional level approach to economic analysis and the study of social inequality. Social capital is still evolving in China, and Chinese scholars are coining new terms in this evolving area. Social capital as a Western ideology, has been changed and combined with Chinese traditional values and eventually becomes an important concept in Chinese society academically, financially, politically, and socially. To understand how my respondents,

apply this concept, it is important to introduce the development of social capital in China and the implication of social capital in the study of Chinese entrepreneurship.

**Implications of Social Capital Inside and Outside of China.** Economic behavior is embedded in a nonmarket society (Granovetter, 1985), and Chinese economic activities are also embedded in Chinese societal and political environments. Many Chinese small businesses are privately owned, and they have experienced extensive discrimination and unjust treatments due to lacking legal protection (Carlisle and Flynn, 2005). Chinese society historically values agriculture but demeans commercial behaviors because the traditional Chinese society believes that commerce jeopardizes the base of the society and the agriculture systems and threatens the function of the central government (Fan, Qin and Zhao, 1996).

Chinese owned small businesses face some of the same common issues as other ethnic groups inside and outside of China, such as finance, labor, management, and information shortage. On the other hand, due to the heavy influence of Confucian values, Chinese political structure and historical background, social capital tends to be embedded in a special Chinese social structure. Due to these unique values, Chinese entrepreneurs' social capital often functions differently within other ethnic groups.

With the Confucian influence, and the history of entrepreneurship in China, social capital has assisted Chinese owned businesses. The concepts of “*Yi*” (义) and “*Li*” (利) are two important elements in traditional Chinese business behaviors and can be found in many Chinese idioms. *Li* means profits and benefits, but *Yi* has a more complicated meaning. Mao (2008) declared that *Yi* refers to trust, morality and ethics, and those are

vital to develop close connections, a high level of trust, commitment, and solidarity, all essential factors for small businesses to survive and grow. Indeed, *Yi* has broader meaning than that. Based on the traditional meaning of “义者宜也”<sup>2</sup> as shown in these Chinese characters, *Yi* is based on its literal meaning—appropriate. Therefore, *Yi* means doing things in an appropriate way, honestly and loyally, following the Confucian values. However, in traditional Confucian values, the concept of *Yi* and *li* are in conflict—decent people cherish *Yi* and an immoral person opts for *li* (“君子喻于义, 小人喻于利”) (Fan, Qin and Zhao, 1996).

This tradition heavily influences Chinese business activities inside and outside the Greater China area<sup>xiv</sup>, and overseas traditional Chinese enterprises tend to be more humane and moral (Szonyi, 2006) because they tend to tightly preserve Confucian values. Scholars such as Jici Wang (2001), Zhengping Fu (2002), Liandong Zhang (2003), Jingjun Lin (2005) have studied the relationship between social capital and Chinese small and medium size business clusters. They believe social capital characteristics such as trust, commitment, social norms, and tight relationships benefit Chinese small and medium size businesses to grow by reducing cost and stimulating innovation (Mao, 2008).

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<sup>2</sup> “Righteousness is the accordance of actions with what is right” (“Zhongyong: The Doctrine of the Mean”, n.d.).

Based on the traditional concept about *lunli* (伦理) and traditional Chinese social structure, Yanjie Bian and Haixiong Qiu (2000) proposed a concept, *entrepreneurial social capital*, to study Chinese enterprises. They stated traditional cultural norms must restrict Chinese enterprises as the agent of economic activities which is embedded in the Chinese social structure. They used the Chinese government's categorization of the China's enterprise ownership as state, collective, and private. The concept of *entrepreneurial social capital* emphasizes that each enterprise is not an individual entity but is a conjunction to connect to all entrepreneurial networks in the economic field. It is the ability for enterprises to obtain significant resources through such connections, and this ability is facilitated through *entrepreneurial social capital*.

*Entrepreneurial social capital* has three dimensions: horizontal connection, vertical connection, and social connection. Horizontal connection means connections with government, and this connection happens inside and outside China. In the Western World, horizontal connections are loose and indirect, but in China such connections are strong. Vertical connection refers to networks among enterprises, and social connections are channels between an enterprise and the outside society.

In developing Chinese traditional philosophies, Chinese scholar Xiaoxi Wang (2009) proposed the concept of moral capital which can be considered as part of social capital, a conditional concept in the socialist Chinese society, and stated that moral capital can facilitate social transactions and smooth social interactions. Wang defined moral capital by its function in that ethnicity and morals drive people to pursue improvement rationally. Further moral capital also requires individuals to cherish and

develop their relationships to rationally create a perfect living condition and trustworthy social development. For Chinese enterprises, Wang believes that moral capital creates trust between the society and enterprises, which is vital for entrepreneurial sustainable growth in the long term.

However, social distrust is not purely objective, and it also depends on one's psychological makeup. Wei Li (2009) discussed distrust from the American society and its damage to Chinese ethno-banks development in Los Angeles. For example, as a Chinese American, the former president/CEO of Far East National Bank experienced new forms of racism due to the rise of the Asian economy that caused ambivalent reactions against Asian Americans from the mainstream society.

Indeed, social capital provides important support for Chinese-owned small business inside and outside of China. For example, literature written by Janet Salaff, Arent Greve and Siu-Lum Wong (2006) about ethnic Chinese small businesses in Canada illustrates that they benefit from two forms of social capital—bonding and bridging social capital. In addition, social capital has been broadly applied to study Chinese business activities. Wang and Warn (2108) investigated how Chinese immigrant entrepreneurs in Australia benefited from bridging social capital as their breakout strategies to expand their businesses. Chinese scholar Liuqin Chen (2007) introduced social capital studies in China. For Chinese small businesses, he claimed that social researchers use social capital to study migrant labor movement from rural areas to cities, entrepreneurial connections, labor market and job hunting, and entrepreneurial management.

In reviewing the application of social capital in the West and China, different social structures, historical grounding and cultural discourses change the implication and



practice of social capital and, accordingly, should be noticed. Western scholars tend to focus on the positive economic effect of social capital whereas the majority of Chinese inside and outside of the Greater China approach to social capital is still based on Confucian philosophy. In general, Chinese social and political structure heavily influence the performance of social capital. Social capital has different implications in Chinese culture. For Chinese immigrant entrepreneurs, they adapt this Western concept and blend it with Chinese philosophies.

In different time periods, Chinese focus on different aspects and characteristics of social capital. As discussed in the Chinese history of social capital development, the concept becomes increasingly popular to study entrepreneurship in China. In the meantime, as previously discussed, ethnic entrepreneurship studies also have become one of the most prevalent empirical researches in Western studies. In the previous discussion, social capital is a term strongly influenced by different cultural, historical, and social backgrounds in China and the West. And it is emphasized differently in various academic fields. Social capital gradually has become popularized in entrepreneurship and transnationalism studies in both China and Western academic research. Small business studies of immigrant entrepreneurship are one of the major elements of this dissertation. It is important to understand small business immigrant issues, and among scholars there are diverse studies in this area.

## **IMMIGRANT ENTREPRENEURSHIP**

There are many approaches to study immigrant entrepreneurship to include political, economic, cultural, and social approaches. Generally, entrepreneurs may include self-employed groups, small business owners, and business owners with large

firms (Valdez, 2016). The term of immigrant/ethnic entrepreneurship can be defined simply as business ownership among immigrant ethnic minorities (Light & Bonacich, 1988; Valdez, 2011, 2016). The notion of Chinese entrepreneurs and Chinese immigrant small business owners were used in this dissertation.

The early studies of immigrant ethnic entrepreneurs in the United States emphasized cultural endowment to explain their economic activities, such as the Chinese clan values of collective responsibility and mutual loyalty. A classic theory of immigrant entrepreneurial study contributes their success to the essential ethnic group features, such as strong ethnic networks which provide fundamental financial and social resources for immigrant businesses (Valdez, 2016). The contemporary approach of ethnic entrepreneurship keeps the cultural component but is seen through a more complicated lens. It adapts Portes and Rumbaut's (2001, 2006) "modes of incorporation" framework, and this approach combines an individual level of human capital, group based social capital, and the structural level of the host country's social, economic and government context of reception (Romero & Valdez, 2016; Valdez, 2011). Thus, a more comprehensive approach, intersectionality, is introduced to immigrant entrepreneurial study (Menjivar, 2000; Romero & Valdez, 2016; Valdez, 2011, 2016; Wang & Warn, 2018). This approach claims that immigrant entrepreneurial study should not be limited to traditional ethnic networking, and includes the variation from class, race, gender, and ethnicity. For example, Aygoren and Nordqvist (2015) observed through the lens of gender and ethnicity to study how immigrant family business members form and manage individual identities.

**Embeddedness in Immigrant Entrepreneurial Study.** Embeddedness is an important concept to study Chinese immigrant businesses by understanding their social, political, market, and cultural environments. Chinese immigrant entrepreneurial activities are embedded in social and economic relations between the United States and China. To answer the question “How behavior and institutions are affected by social relations” (Granovetter, 1985, p. 481), Granovetter identified the concept of “embeddedness”.

Granovetter (1985) addressed that economic actions are embedded in the social relationship in his article “*Economic Action and Social Structure: The Problem of Embeddedness*”. His argument about this concept provided a base for the potential theory of combining “economic and sociological approaches to organization theory” (Uzzi, 1997, p. 35). He elaborated that any entities, individuals, or firms are embedded in tangible social networks and do not exist in a conceptual idealized market. His main concept of embeddedness was that economic behaviors are embedded in social ties. The concept of embeddedness is helpful to explain the difference between economic and sociological systems of economic activities. However, his analysis lacks the clarification on how social capital affects economic exchanges (Uzzi, 1997).

In the late 1980s, the concept of embeddedness was adapted to studies on economic development in micro and macro levels, based on three common claims derived from researchers (Woolcock, 1998). First, all forms of exchange are intrinsically embedded in social relationships. Second, embeddedness can be viewed in different forms: “social ties, cultural practices, and political context” (Woolcock, 1998, p.163). All have powerful outcomes on forming opportunities and constrictions on individuals

pursuing economic achievements. The last claim, the cost of social capital, is associated with the benefits obtained by the embeddedness in a given social network.

The most obvious contribution of social capital is that economists recognize market embeddedness as a symbol of social capital and a combination of sociology and economics. Economists are finally convinced to ‘sociologize’ the market model (Somers, 2005). In order to examine whether there is a cost or benefit of embeddedness in a given society, scholars introduce a set of “autonomous social ties” (Woolcock, 1998, p.163) into the discussions. Autonomy in micro level of social capital refers to extra community connections, while autonomy in the macro level refers to “institutional capacity and credibility” (Woolcock, 1998, p.163).

Based on the “embeddedness” and “autonomy” studies of entrepreneurship in immigrant communities, sociologist Alejandro Portes and Julia Sensenbrenner (1993) also approached social capital study by employing the concept of social “embeddedness” to illustrate different forms of social structure that affects economic actions through studying immigrants. Portes expanded Granovetter’s idea of embeddedness and modified Coleman’s concept to elaborate the negative effects of social capital (Waldinger, 1995). This differed from Granovetter who emphasized the concept of embeddedness by its strong effect on economic actions. Portes tended to focus on the effect of immigrant enterprises by investigating relationships in an ethnic group. Portes emphasized “...‘group’ endogenous characteristics of groups and their importance for economic action” (Waldinger, 1995, p. 561).

However, these approaches have been criticized for placing too much attention on individual factors such as their social networks and the surrounding environments (Barret

et al. 2002; Ram and Jones, 2008; Waldinger et al. 1990). To highlight the market condition, including the size and the accessibility of the market, the term, opportunity structure, was introduced by Aldrich and Waldinger (1990). By considering those points of view, Kloosterman (1999, 2010) developed a mixed embeddedness model to identify the interaction and interplay of macro-level between the institutional framework of the host country, the meso-level of market factors, and the micro-level of individual resources obtained by the entrepreneur. However, some limitations also have been identified. For example, Jones et al (2012) investigated Asian immigrants in the United Kingdom and found that even though new immigrants were equipped with high levels of human capital, they still suffered from cultural dislocation and inexperience issues. Another critic found the model focused on the social and economic embeddedness in the host country, and failed to capture the transnational embeddedness (Bagwell, 2018). Bagwell revealed that transnational entrepreneurs engage in transnational networks which embed in a dual world consisting of the home and the host country. In addition, this model fails to clearly explain the variation of class, gender, and race. Thus, Wang and Warn (2018) suggested the mixed embeddedness will benefit from intersectional analysis. Therefore, this dissertation considered mixed embeddedness with transnational and intersectional analysis. When Chinese immigrant businesses embed in the U.S. market, they encountered various barriers, and these barriers incentivized Chinese immigrants to become self-employed and start their businesses.

**Barriers for Immigrant Entrepreneurs.** Immigrant entrepreneurs found it difficult to utilize their human, cultural, and social capital from their home country. They encountered various barriers in the host country, such as language barriers, different

social systems, the shortage of labor, and start-up funds (Aygoren & Nordqvist, 2015; Light & Bonacich, 1988; Jurik, 2005; Menjivar, 2000; Valdez, 2011; Wang & Warn, 2018). Recent analysis from Bates, Bradford and Seamans (2018) indicated immigrant entrepreneurial barriers can be summarized as three major causes restricting immigrant businesses. The first barrier is the accessibility to financing. Personal wealth is still the main financial resource, and it is critical for immigrant businesses to have the accessibility to obtain bank-loans. However, many studies indicated immigrant business owners had a reduced amount of access to bank financing (Bates, Bradford & Seamans 2018; Light & Bonacich, 1988; Romero & Valdez, 2016; Sequeira & Rasheed, 2006; Valdez, 2011, 2016; Wang & Warn, 2018). The second barrier is the accessibility to markets. Traditionally, minority immigrants are trapped in low-profit industries, such as laundries and restaurants. Even though the U.S. government provided programs to help minority business owners to move beyond these personal services and retail industries, those programs are poorly designed and administered so disadvantaged minority business owners still encounter market barriers (Bates, Bradford & Seamans, 2018). The third barrier is disadvantaged human capital. Many immigrant entrepreneur studies showed that immigrants' human capital, their education background, and their work experience, is often unrecognizable in the country of settlement, and this makes it difficult for immigrants to find a desirable job in the local job market (Bates, Bradford & Seamans 2018; Light & Bonacich, 1988; Menjivar, 2000; Romero & Valdez, 2016; Sequeira & Rasheed, 2006; Valdez, 2011, 2016; Wang & Warn, 2018).

In consideration of those negative issues, push and pull models are utilized to study ethnic entrepreneurship (Chavan & Agrawal, 2002; Dhaliwal & Adcroft, 2005;

Gupta & Mirchandani, 2018). Pull factors include positive components that motivate and support immigrant entrepreneurship, such as low taxes, transnational networking, professional opportunities, international resources, and business locations (Kariv, Menzies, Brenner & Filion, 2009). Push factors contain barriers and negative conditions such as disadvantages in the local job market, famine, war, and lack of personal security that compel immigrants to be self-employed (Kariv, Menzies, Brenner & Filion, 2009).

Romero and Valdez (2016), and Valdez (2011, 2016) determined that the roots of these barriers arose from systemic racism and structural exclusion in the United States. These barriers can be summarized as structural inequality. Immigrant entrepreneurial activities are embedded in the American market which is embedded within a larger social structure “made up of three interlocking systems of oppression and privilege—capitalism, patriarchy, and White supremacy” (Valdez, 2011, p. 37). Inside the highly stratified American social structure, immigrant entrepreneurs experience additional barriers from their inherited class, gender, race and ethnic backgrounds (Aygoren & Nordqvist, 2015; Menjivar, 2000; Romero & Valdez, 2016; Valdez, 2011, 2016). For example, when Valdez (2011) studied Latina entrepreneurs, she found that compared to males, gender differences hindered female small business owners’ business performance due to lower levels of human capital and fewer networks to access resources.

## **SOCIAL CAPITAL AND IMMIGRANT ENTREPRENEURSHIP**

This dissertation concentrates on investigating social capital and immigrant small businesses. Ivan Light and Edna Bonacich (1988), in their book *Immigrant Entrepreneurs: Koreans in Los Angeles 1965-1982*, utilized social capital to discuss the entrepreneurial activities and the motivations of Korean immigrant entrepreneurs. Since

the 1990s, the World Bank employed social capital studies in assisting developing country programs such as the microfinance projects, and this inspired other researchers to study microfinance such as Katharine N. Rankin and Margit Mayer (2002), and Nancy Jurik (2005). The attention on social capital has gradually increased the study of ethnic business and globalization such as exploring social capital intra-ethnic groups (Aldrich & Cliff, 2003; Sanders & Nee, 1996; Marger, 2001; Sequeira & Rasheed, 2006; Valdez, 2011; Wang & Warn, 2018), and social capital with outside-community connections (Bagwell, 2018; Li, Zhou, Dymski, & Chee, 2001; Engelen, 2001; Kariv, Menzies, Brenner & Fillion, 2009; Wang & Liu, 2015; Wang & Warn, 2018).

Social capital provides essential resources for less advantaged enterprises, at least as essential supplements for business growth. Trust and networks are two elements of social capital that impact small business development. Social capital is exchangeable with human capital, financial capital, and cultural capital (Bourdieu, 1986). Because of this, social capital can provide a buttress to offset embedded social inequality for immigrant small business (Valdez, 2011)<sup>xv</sup>.

Further, Portes used social capital to study subjects related to urbanization, migration, ethnic enclaves, and ethnic businesses in the United States. He and Patricia Landolt (2000), in the article “*Social Capital: Promise and Pitfalls of Its Role in Development*,” mentioned the importance of social capital as bonds of solidarity to economic and political enterprises and its unexpected outcome from constructing such solidarity. In this article, Portes and Landolt (2000) reflected the following definition for social capital: “Social capital became defined as: (1) a source of social control; (2) a source of family-mediated benefits; and (3) a source of resources mediated by non-family



networks” (Portes & Landolt, 2000, p. 531). Therefore, social capital may be conceptualized by focusing on various types of resources that a social actor acquires from social connections. Portes and Sensenbrenner (1993) indicated the experience of discrimination can be the social glue to increase social solidarity for immigrant entrepreneurs and to gain economic opportunities because they possess a high degree of inter group communication and convey exclusive rewards to its members. Portes was brilliant to realize the “time factor” of social capital. “[I]t is equally important to pay attention to the time factor...situations change and the very success of collective efforts to attain certain goals today may change or diminish the future motivation of participants” (Portes and Landolt, 2000, p. 546). Therefore, social capital is variable and dependent on the time frame, social structure, and culture discourse. Portes and Sensenbrenner (1993) employed social capital to study economic fields and they defined social capital “...as those expectations for action within a collectivity that affects the economic goals and goal-seeking behavior of its members, even if these expectations are not oriented toward the economic sphere” (Portes & Sensenbrenner, 1993, p. 1323).

Social capital consists of three core features of social life: trust that includes enforceable trust, networks, and norms. Those features enable participants to effectively pursue shared objectives and increase society’s efficiency (Putnam, 2001). Francis Fukuyama (2001) explained that trust, networks and civil society associate with social capital but cannot constitute social capital itself, and in addition elements such as honesty, the keeping of commitments, reliable performance of duties, and reciprocity are all implied in the concept of social capital. As outsiders from the mainstream local market, immigrant small business owners inherently encounter social, economic, and

political barriers in a receiving country such as system, culture and political differentiations, and, very importantly, the lack of access to local networks (Bates, Bradford & Seamans 2018; Light & Bonacich, 1988; Menjivar, 2000; Romero & Valdez, 2016; Sequeira & Rasheed, 2006; Valdez, 2011, 2016; Wang & Warn, 2018). Ethnic social capital as an indirect resource provides essential support for immigrant small businesses in many ways, and, two features, trust and networks, that intuitively can provide the most benefits for ethnic businesses.

**Trust.** Trust is a term used to understand and form economic and social order, and it is one of the important components in social capital. Fukuyama (1995) defined trust<sup>xvi</sup> as the expectation from a community arising from regular and honest cooperation that is based on the shared norms of its members. Fukuyama stated that if the “radius of trust”<sup>xvii</sup> is a group of people who developed reliance and confidence with each other, the positive radius of trust can be larger than the group itself. Putnam described trust as thick and thin. Thick trust is embedded in a personal relationship which creates strong, frequent, and a tied connection (Aldrich & Cliff, 2003). On the other hand, thin trust is “the generalized others” (Putnam, 2001, p. 136) such as new relations from referrals and can come from people who share some background of shared social network and expectations. Putnam suggested that thin trust is more useful than thick trust because it can extend the radius of trust beyond personal relationships<sup>xviii</sup>.

Because of the complexities within the immigration environment, trust can be categorized in various ways such as thick and thin trust and personal and system trust. A German sociologist, Niklas Luhmann (1979) defined the difference between personal trust and system trust in that personal trust is limited inside families and friends. System

trust is based on the complexity of social life, and it is built on impersonal relationships and generates methods of cooperation through impersonal techniques such as money, power, and truth (Luhmann, 1979). System trust goes beyond personal trust and is independent from personal motivations. Luhmann believed that the transition from personal trust to system trust is part of the process of modern civilization. Siu-Lun Wong (1996) introduced three kinds of expectations of trust from American sociologist Bernard Barber. The first expectation is continuity of moral and natural order, second the technical competence of individuals roles, and the third is fiduciary responsibilities. Due to being obstructed from the social and economic opportunities in the receiving country, immigrants tend to show great enforceable trust<sup>xix</sup> towards in-group solidarity. Portes and Sensenbrenner (1993) felt that trust exists in the economic transaction, and it is a vital element for immigrant ethnic small businesses to access resources to obtain funds. They illustrated how Dominicans in New York City and Cubans in Miami utilize enforceable trust to circulate money flow inside ethnic circles to buttress immigrant small businesses.

Enforceable trust is one of the solid foundations for immigrant enterprises, and ethnic trust is essential to business success for Chinese communities outside of the greater China area (Wang & Warn, 2018; Wong, 1996). Edward Ryan (1961) studied the Chinese trading small businesses in Java and found that social capital is more important than economic capital for Chinese communities outside of mainland China. Immigrant entrepreneurs who pursue wealth use trustworthiness to define a successful businessman more than using economic capital (Ryan, 1961). Wang and Warn (2018) studied Chinese immigrant businesses in Australia, and they found that trust, more specifically, a word-of-mouth advertising strategy, has been identified as an important marketing tactic for

Chinese small business owners to expand their market. In another study of Chinese immigrant entrepreneurs in Australia, Wang and Warn (2018) identified the importance of ethnic trust in networking with co-ethnic markets. When Chinese business owners intended to expand their business, the networks from the co-ethnic groups constructed the fundamental base for their business.

The barriers of discrimination that immigrants experience might also generate in-group trust. Discrimination not only binds people in a same ethnic group, it also provides incentives for ethnic small businesses. For example, Korean immigrant small business owners found their business niche in the city ghettos in Los Angeles because white middle-class business owners avoided such areas (Light & Bonacich, 1988). Portes and Sensenbrenner (1993) mentioned “phenotypical and cultural” differences and they emphasized discrimination of those differences as a base for bounded solidarity to create trust. However, there are multiple reasons to build trust. People also construct and accumulate social capital through work and educational environments. Class, gender, religion, education and working backgrounds, family history, and personal interests also create solidarity and trust. In the book (2005), *Bootstrap dreams: U.S. Microenterprise Development In An Era Of Welfare Reform*, Nancy Jurik introduced the Microenterprise Development Program (MDP) in helping local microenterprises to start and/or grow their businesses. In this book, she stated that a trainee brought up the issue that the trainer does not share a common background to provide accurate advice to the trainee because this trainee believed that people in a business more than fifteen years could not understand the difficulty of starting a business with no savings. Besides the special barriers for immigrant small businesses, indeed, immigrant small businesses also encounter general

trust issues common to native businesses. It should be understood that there are various approaches to study trust. Trust may have different forms and meanings in diverse cultures and social phenomena. Therefore, when conducting research, scholars should specify the reasoning and methodology in the study of trust.

**Networks.** In immigrant small business studies, another key feature in social capital formation is networks. Social networks are used to construct ethnic business clusters, and it also refers to connections, relationships, ties and contacts between individuals, immigrants, non-immigrants, agents, and social institutions, and this concept is a key element in studying social capital. Scholars should consider the function of different networks, locally, nationally, regionally, and internationally in their small business studies to determine the most powerful influence. Walter W. Powell and Laurel Smith-Doerr (2005) referred to Burt's work (1992) that stated that networks provide three categorical benefits in economic life—access, timeliness, and referrals. Ties can access different parties and receive information. Linkages offer advantages over those who lack comparable connections, and referral offers opportunity through formal and informal channels.

***The Enclave.*** Based on ethnic enforceable trust and networks, ethnic immigrants geographically gather in certain locations and form ethnic enclaves. Because of its definition and applications, the concept of enclave also can cause debates. Immigrants in the classic view can be named as ethnic groups (Waldinger, 1993). The concept of ethnic economy originated from Max Weber and Werner Sombart and further developed by Edna Bonacich and John Modell<sup>xx</sup> (Light, Sabagh, Bozorgmehr & Der-Martirosian, 1994). Roger Waldinger (1993) stated that it is not enough for the application of

assimilation theory to study complicated issues of immigration. Therefore, a new direction shifts the attention of researchers to ethnic business study (Waldinger, 1993). Edna Bonacich and John Modell (1980) were the first in defining ethnic economy, and they categorized "...the ethnic economy of a city, region, or nation, but an ethnic economy always includes all workers in these two categories; workers whose employers are not co-ethnics are excluded" (Light, Sabagh, Bozorgmehr & Der-Martirosian, 1994, p. 66). Their concept about ethnic economy is debatable and further study may be warranted. For example, Ivan light, Georges Sabagh, Mehdi Bozorgmehr and Claudia Der-Martirosian (1994) critiqued this concept. Firstly, it did not address the geographically clustering or density of companies since they could distribute to different industries and neighborhoods. Secondly, Bonacich's and Modell's concept did not declare the level of ethnicity in the ethnic economy or between buyers and sellers. Thirdly, this concept did not reveal whether the businesses were at the retail or wholesale level in which business owners provide benefits to co-ethnic buyers. In addition, Bonacich and Modell did not clarify the ethnic cultural influence within a firm or among buyers and sellers.

The ethnic economy has a difference in origination from ethnic enclave economies. The previous derives from middleman minorities<sup>xxi</sup> and the later derives from dual labor market theory. The article "*Immigrant enclave: an analysis of labor market experiences of Cubans in Miami*" by Franklin Wilson and Alejandro Portes (1980), who pioneered ethnic enclave research on Cuban immigrant businesses, shaped the "contemporary sociology inquiry about ethnic enterprise" (Waldinger, 1993, p. 444) and they developed a hypothesis of ethnic enclaves. The enclave hypothesis originated from

the research findings from the book *Latin Journey: Cuban and Mexican immigrants in the United States* by Alejandro Portes and Robert L. Bach (1985). Their research revealed that immigrants did better in the enclave than their counterparts in the secondary sector which is also constituted by many industries which comprise the enclave. The ethnic enclaves face the same structural issues in the secondary sector, such as skill acquisition, attachment and upward mobility.

Those debates extend to conceptual issues such as on the definition of ethnic enclave. Portes (1986) emphasized the physical concentration as a defining characteristic of enclaves and transformed spatial concentration to reply for a critique by Sanders and Nee (1987). Min Zhou and John R. Logan (1989) applied three definitions of enclaves—by place of residence, by place of work and by industry. Suzanne Model (1992) defined the enclave by industries. Waldinger (1993) pointed out that the dictionary definition of enclave<sup>xxii</sup> lacks sociological content but provides images for enclave debates<sup>xxiii</sup>, and he stated, “profits are exported; consequently, enclave economies fail to generate growth in other sectors” (Waldinger, 1993, p. 448). Portes and Jensen (1992) brought two questions into the ethnic enclave study. First, the “‘everyday’ day” definition (Portes & Jensen, 1992, p. 418)—the ethnic enclave means the place for ethnic groups to live or a place ethnic firms concentrate. This causes methodology problems, such as those workers who work in a place where ethnic firms are concentrated, but do not live in the same area (Portes & Jensen, 1992). Can they be viewed as “ethnic workers”? The same question also appears in discussing the ethnic business owners. Sanders and Nee (1992) brought out their concerns based on this. They questioned the sample from Portes and Jensen which was more than “twice as large when place of residence is the criterion” (Sanders &

Nee, 1992, p. 415). In addition, in the study of Portes and Jensen, the difference of magnitudes of the enclave versus non-enclave are smaller when “place of work is the criterion” (Sanders & Nee, 1992, p. 415). The second point is whether ethnic workers are at economic disadvantages. Portes and Jensen (1992) argued that the enclave is not necessarily associated with significant economic drawbacks for ethnic workers. These classic debates are valuable when I conducted my project, particularly when Phoenix does not have a traditional Chinatown and Chinese population scatters in suburbs.

Ethnic networking is essential for immigrant small business and with such connections immigrant small businesses can access financial resources inside or outside the ethnic group, employing low cost labor and channels with suppliers and distributors (Light & Bonacich, 1988; Portes & Sensenbrenner, 1993; Sequeira & Rasheed, 2006; Wang & Warn, 2018). Ronald S. Burt (1992) uses the term structural holes<sup>xxiv</sup> to investigate the absence of social relationships between equivalent actors. An entrepreneur in the structural holes has diverse and novel information. Therefore, structural holes can give this entrepreneur a competitive position in the market.

Social networks also influence business decision for immigrant entrepreneurs. Light and Bonacich (1988) discovered that Korean immigrants tend to gather in certain industries. It is easy to understand that the new immigrants obtain information or working experience from previous immigrant business owners, and then the newcomers tend to start a similar model of businesses as their pioneers. In addition, professional immigrant companies offer pre-networking services for immigrants in many regions and this also heavily influences the immigrants in making business decisions. For example, Yen-Fen Tseng (1995) conducted a research on Taiwanese immigrant businesses in Los Angeles.



She found that Taiwanese professional immigration consulting sources provided pre-immigration preparation for immigrant businesses, and the information covered cultural, social, economic and political topics relevant to immigrants in the United States<sup>xxv</sup>.

However, there are various arguments about the enclave effect. For instance, there is a disagreement about the effect of ethnic solidarity that Portes and Bach (1985) proposed: that ethnic solidarity instead of enforceable regulations brings mutual obligations, and ethnic solidarity enables immigrant entrepreneurs to access resources within the immigrant community (Light, 1984; Sequeira & Rasheed, 2006). Valdez (2011, 2016) proposed the overstatement on ethnic solidarity shifted the attention on the discrimination on class, gender, race, and ethnicity away from the immigrant entrepreneurial studies. Some scholars suggest that enclave labor has little difference from labor in the primary job market (Wilson and Martin, 1982). In addition, there are indistinct zones. When distinguishing positive and negative characteristics of enclave enterprises, it is difficult to tell whether those are due to enclaves or business types. For example, some enclave businesses are very small and in the labor-intensive industries, therefore they might face lower profit with high business cost whether in the enclave or not (Waldinger, 1993; Wang & Warn, 2018). Indeed, the concept of enclave is evolving and needs further investigation and study in the future.

Certainly, ethnic networks also contain limitations. In the article “*Business Social Networks and Immigrant Entrepreneurs from China*”, Janet Salaff, Arent Greve and Siu-lun Wong (2006) addressed the importance of social networks for Chinese immigrant small businesses. Before immigration, Chinese immigrants established family and professional networks with their colleagues in China. After immigrating to the United

States, it took time for new Chinese immigrants to build and merge to an interrelated community. Additionally, the ethnic networks are deficient in a broad business base for immigrant small businesses to grow. Moreover, immigrant small businesses may also lack the international business connections and, therefore, this limits immigrant small business to certain professional areas.

Furthermore, it is important to revisit Granovetter's concept of weak and strong ties for immigrant small business owners to obtain social connections outside of strong ties like family and ethnic communities. For instance, Sanders and Nee (1996) studied the impacts of human capital on Chinese and Hispanic family owned businesses. Sanders and Nee pointed out that human and social capital are two important sources in immigrant self-employment and business ownership. Their study disclosed that the immigrants' human capital is often difficult for the mainstream labor market to recognize and families are the main base for many immigration streams, thus this increases the reliance of family and ethnic networks. They also noted that self-employed immigrants may face lower profits and higher failure rates when immigrant entrepreneurs only rely on social support networks within the ethnic community. With these limitations within the ethnic communities, immigrant entrepreneurs need to apply breakout strategies to explore business opportunities and expand their businesses.

***Weak and strong ties, and breakout strategies.*** Mark Granovetter (1973, 1985) discussions on weak ties and embeddedness are valuable for Chinese small business study. In this dissertation, weak and strong ties will be combined with bonding and bridging social capital to examine small businesses owners' social connections and their functions. Indeed, the concept of weak and strong ties and the bonding and bridging

social capital shares some overlaps when applied them to study immigrant entrepreneurship. For example, family and friends can be strong ties and belong to bonding social capital.

Mark Granovetter (1973) has been recognized for social network studies based on the theories of weak ties and embeddedness (Poder, 2011). In the article, “*The Strength of Weak Ties*”, he brought up a fundamental weakness in current sociology theoretical studies in that there is no convenient method to relate micro level interaction to a macro level system. Therefore, Granovetter utilized strong ties and weak ties to discuss interpersonal networks which “provides the most fruitful micro-macro bridge” (Granovetter, 1973, p. 1360). Granovetter pointed out that interpersonal ties come in three varieties—strong, weak and absent. Weak ties enable novel information to flow in the social networks, however “no strong tie is a bridge” (Granovetter, 1973, p. 1364). Granovetter used the term “strength of weak ties” to refer the power of indirect influence outside of the direct and closed connections circles. He observed the character of ties linking individuals and believed that weak ties can help individuals to reach broader social networks more than strong ties. Weak ties enable individuals to reach connections that strong ties cannot provide and therefore can achieve more opportunities.

Many immigrant entrepreneurial studies applied strong/weak ties to investigate immigrant business activities. For example, Menjivar (2000) found Salvadoran immigrants strongly relied on their strong ties during their settlement. Aldrich and Cliff (2003) strongly suggested to use family embeddedness to study entrepreneurship because of the inextricably intertwined characteristics between families and businesses. Sequeira and Rasheed (2006) studied immigrant business in start-up and developing stages, and

they found that with strong ties, immigrant entrepreneurs can reduce transaction costs and access information. In the immigrant communities, immigrant business owners could develop strong ties with suppliers and ethnic customers, which allowed them access to workforces at a lower cost. Sequeira and Rasheed also stated that financial capital from relatives and friends was one of the major sources for immigrant businesses.

On the other hand, weak ties and bridging social capital help immigrant business owners to apply breakout strategies to expand their business. Wang and Warn (2018) introduced two breakout strategies of Chinese immigrant by using weak ties. The first breakout strategy is horizontal breakout. Chinese immigrants with “low-skilled businesses” (Wang and Warn, 2018, p. 222) expanded their business to different geographical locations to service customers in the mainstream market. The second breakout strategy is the vertical breakout strategies. The vertical breakout strategies include changing business models to achieve financial viability and establish overseas businesses. The vertical breakout strategy creates business opportunities and expands markets for immigrant entrepreneurs, especially with their transnational abilities. Transnational networking is identified as activities between nations, especially between the host and home countries for immigrant entrepreneurs. Immigrant entrepreneurs use their links and knowledge of overseas systems and markets to acquire resources and develop their businesses (Bagwell. 2018; Kariv, Menzies, Brenner & Fillion, 2009; Menjivar, 2000; Saxenian, 2002; Wang & Warn, 2018). Transnational networking has become a new trend in the immigrant entrepreneurial study. For instance, Bagwell (2018) studied transnational activities of Vietnamese businesses in London, and Wang and Liu (2015) investigated Chinese transnational activities of immigrant-owned businesses in the

United States. Both studies showed that transnational ties greatly help immigrant businesses development financially, culturally, and socially.

Strong/weak ties and bridging/bonding social capital provide different accesses to resources for Chinese immigrant businesses. Indeed, networks offer calculative effects on economic outcomes. The economic sociology literature, which covers the effects of networks on economic life, states: (a) networks shape informal and formal relationships in the work place and non-work place; (b) networks are typically formal exchanges; and (c) networks form relationships with governments (Powell and Smith-Doerr, 2005).

**Social Capital, Financial Capital and Human Capital.** In ethnic immigrant small business studies, social capital can help business owners access resources and overcome barriers to bring economic success to fruition. For example, it is difficult for immigrant small businesses to apply for a loan in the United States. Because new immigrants lack recognizable collateral and credit history in the United States, these entrepreneurs find it difficult to obtain loans from the mainstream financial institutions; however, family equity capital helps them offset this disadvantage. In these cases, equity almost completely originates from family wealth holdings (Aldrich & Cliff, 2003; Aygoren, & Nordqvist, 2015; Bates, 1997; Bates, Bradford & Seamans 2018; Light & Bonacich, 1988).

Consequently, those business owners, such as Korean immigrant small business owners (Light & Bonacich, 1988), Chinese immigrant entrepreneurs (Wang & Warn, 2018), Latino/Latina ethnic immigrant business owners (Valdez, 2011, 2016), mainly depend on their own savings and economic support from families, friends, and acquaintances. Timothy Bates (1997) studied Chinese and Korean immigrant

entrepreneurs financing opportunities and specified that most startup capital for immigrant entrepreneurs comes from financial institutions (debt) and family wealth (equity). Immigrant businesses typically receive smaller loans from family and friends. To some extent, social capital can be exchanged for financial capital, and, conversely, such financial activities may in turn create social capital. Tseng's (1995) study showed that in the West, the more the Chinese businesses handled ethnic Chinese clients, the more they tended to utilize ethnic Chinese banks and vice versa. Social capital provides a critical role in ethnic small business growth by developing fundamental relationships with loyal customers, suppliers, distributors, government, and the local communities.

Social capital is also fungible with human capital. For instance, Light and Bonacich (1988) revealed that immigrant entrepreneurs overcome their human capital barrier by working in the enclave and employing laborers who can speak a common language. Studies also show that immigrant business owners need to employ professional advisors such as lawyers and consultants (Slavnic, 2012; Wang & Warn, 2018) to help business owners overcome systemic barriers. People also construct and accumulate social capital through the work and education environments. Anna Lee Saxenian (2002) in the article "*Silicon Valley's New Immigrant Entrepreneurs*" demonstrated that education and working background creates social networks for Chinese and Indian immigrant entrepreneurs to open their business in Silicon Valley. She found that there are many Chinese companies in the wholesale businesses who benefited from such social networks<sup>xxvi</sup>. She pointed out that immigrant entrepreneurs keep transnational connections between their homeland and the receiving country, and these ties enable immigrant firms to flourish and accelerate industrial upgrades in their home countries.

Her study indicated there were essential changes in relationships between immigration, trade, and economic development in the 1990s. She found that, instead of sending their remittances back to their home countries, many skilled immigrants returned to their home countries after accumulating human capital overseas and built transnational communities. New immigrant entrepreneurs contribute to the local communities by promoting job opportunities and wealth accumulation. Saxenian noted that immigrant entrepreneurs' contributions to the economy not only limit the labor supply and wage effect, but their economic inputs also include enhancing trade and investment flow. Therefore, she emphasized that policymakers "need to recognize the growing interrelationships between immigration, trade, and economic development policy" (Saxenian, 2002, p. 75) because she believed that the economic openness develops economic opportunities. Thus, governments should encourage global connections and help to foster transnational economies.

**Social Capital, A Supplement for Business Growth.** As previously discussed, scholars have highly recommended social capital and its positive impacts, and they believe social capital is an essential factor for the success of immigrant small businesses. However, other scholars, such as Valdez (2011, 2016), have a different point of view in that social capital is only a supportive element for business growth. Consequently, immigrant small business should be aware there also may be undesired consequences. Social capital provides ethnic niche markets for immigrant enterprises but also extends the competition in homogenous businesses since immigrants tend to concentrate in certain industries. In addition, nepotism and cronyism can limit the feasibility of small businesses to develop sustainably and efficiently.

Therefore, many scholars express the view that immigrants should step out of the in-group circle and connect to outsiders to reduce competition and increase opportunities such as Wang and Warn's (2018) breakout strategies. Another example is from the research by David Ley (2006) who focused on three groups, people from Hong Kong, Korea, and Taiwan, to discuss immigrant entrepreneurs who opened a business soon after entering Canada under the Business Immigrant Program. He discovered that while Korean entrepreneurs are poor in English and have limited ethnic resources, Korean entrepreneurs are the most successful group because they were more likely to break out of the ethnic enclave economy and avoided competitive transnational business.

Zulema Valdez (2011) revealed that social capital may help to reduce the structural disadvantages that immigrant entrepreneurs encountered, but "its effect is both compensatory and contingent" (Valdez, 2011, p. 20). She did not view social capital as negative but elaborated that it is not a key factor and stated that social capital offers a supplemental effect for immigrant small businesses. She pointed out the unequal social structure is based on the intersection of class, gender, race, and ethnicity that form the basis of the American social structure. Consequently, Valdez believed the market capital which includes "ownership of property and wealth" and human capital can provide solid advantages in the market of exchange. For immigrant business, market capital is more vital than social capital that provides reciprocity in the market exchange and reciprocal relationship is a secondary form of economic exchange.

Social capital does provide ethnic advantages for immigrant small businesses. In certain societies and cultural backgrounds social capital can be a crucial resource for the business to grow, but in some regions, it seems to function differently. Therefore, in



different markets and social discourses, its functions vary. Under Chinese culture, social interactions have some functions like western culture, but these social interactions have impacts on Chinese traditional values, unlike western culture.

## **DEBATES ON SOCIAL CAPITAL**

Social capital can be defined and modified according to different historical time frames, cultural discourse, and social structure. Because of this, social capital can be interpreted and studied in many ways. In addition, it is not a perfect concept theoretically or empirically; thus, it will always be debated by social scientists, political parties, and economists. In this section, three important debates will be presented: *Guanxi* vs. social capital; resources vs. function; and enclaves.

The history of social capital has “deep and diverse roots” (Adam & Roncevic, 2003, p. 156), and in sociology this concept has remained fluid. Furthermore, since social capital is a concept without a clear definition, some literature defines social capital and tends to refer to it as a resource (Bourdieu, 1977; Burt, 1995; Portes & Landolt, 1996), and some literature emphasizes its function (Loury, 1977; Coleman, 1988, 1990; Putnam, 1994, 1995; Inglehart, 1997; Gittel & Vidal, 1998). Because social capital has been widely applied to diverse fields without a clear definition and definite methods, the concept is open to differing interpretations.

For instance, social capital has become a catch phrase to be utilized as a solution to solve various social, economic, and political problems (Portes & Landolt, 2000; Adam & Roncevic, 2003). It is at least “over-versatility” (Schuller, Baron & Field, 2000, p. 24), so various events and circumstances such as education, rural development, environment improvement, urban movement, health issues, nutrition, information innovation,

economy, politics, poverty, and social safety problems employ this concept. The overuse can make it lose its underlying meanings in the context of this dissertation (Portes, 1998; Woolcock, 1998; Schuller, Baron & Field, 2000). As in social relations, it may not just create positive social and economic impacts and optimistic functions (Wacquant, 1998; Portes, & Landolt, 2000; Schuller, Baron & Field, 2000; Putnam, 2001; Woolcock, 2001; Rankin, 2002; Knorringa & van Staveren, 2007; Menjivar, 2000; Valdez, 2011, 2016; Wang & Warn, 2018).

There are diverse contexts, frames, theoretical backgrounds, and social levels to define social capital (Adam & Roncevic, 2003). Therefore, some features and applications are suitable at the micro level of social phenomena, but other operations and characteristics make more sense at the macro level. Woolcock (2001) addressed a dispute that “social capital makes most sense when it is understood as a relational (i.e. sociological), rather than psychological or political variable” (Woolcock, 2001, p. 71). The following two debates will focus on the continuing controversy in China and the West that has a strong impact on immigrant small business study.

***Guanxi* vs. Social Capital.** Social capital and the Chinese term, *guanxi*, briefly introduced previously, share common ground of relationships, so it is easy to align *guanxi* with social capital or combine these two. *Guanxi* encompasses at least three meanings: First, a potential relationship between individuals who are in a same status group; second, a direct connection between individuals who share the same obligations; third, a reference to individuals with strong ties (DiTomaso & Bian, 2018). Originally *guanxi* relationships were based on Confucian traditions and “were intimate, long-term, characterized by trust, and thus, constituted strong ties, in Granovetter’s terminology

(1973, 1995)” (DiTomaso & Bian, 2018, p. 7). However, can it be said that *guanxi* is social capital? Indeed, this causes debates.

There is a school of social capital study that defines it as a relationship and/or a focus on social networks, “Its central thesis can be summed up in two words: relationships matter” (Field, 2008, p.1). When social capital was being introduced into China, there was a propensity to combine social capital with Chinese traditional terms and values, and “*guanxi*” is one of them. “The word *guanxi* (pronounced *guan-shee*) means literally ‘relationship’ between objects, forces, or persons” (Yang, 1994, p. 1).

*Guanxi* often is based within interpersonal relationships, kin, or kin-like connections (DiTomaso & Bian, 2018). *Guanxi* is a complicated term in Chinese discourse, and as Xuwei Zhai (2009) demonstrated it is restricted by Chinese cultural implications such as “*renqing*<sup>xxvii</sup>” (人情) which is close to the Western concept of favor, “*yuanfen*” (缘分) which is similar to the concept of inter-personal relations, and “*mianzi*” (面子) or “*face*”. Mayfair Mei-Hui Yang (1994) defined “*mianzi or face*” as “a combination of a sense of moral imperatives, social honor, and self-respect” (Yang, 1994, p. 141), but there is more to it than that. Having “*face*” or the lack of “*face*” can determine social success or the complete loss of honor. This term is an extreme social byproduct resulting from an interaction that results in a sense of prestige, confidence, and power. Yang (1994) pointed out there are various meanings and approaches used to study *guanxi*, and in certain circumstances they conflict with each other. “These include the forms of language and types of attitudes in everyday life that one finds expressed among

family, friends, relatives, neighbors, and between friendly but anonymous strangers on buses and trains” (Carlisle & Flynn, 2005, p. 83).

In China, the social structure pays attention to the relationships with family, relatives, and people from the same region (village, town or city). Traditional *guanxi* relationships were hierarchical and based on Confucian ideologies of relationships of “emperor-subject, father-son, husband-wife, elder-younger brothers, and friend-friend” (DiTomaso & Bian, 2018, p. 7). Therefore, Chinese traditional social relationships are based on blood ties and geographic ties, such as *Tongxiang* (同乡)—that people come from a same village. The concept of *Guanxi* is complicated, and goes beyond networks, trust, reciprocity, and rewards. Chinese *guanxi* contains more negative impacts in Chinese discourse than the term social capital in the West (Zhai, 2009). For example, “*renqingzhai*” (人情债) in Chinese context, is a human emotional debt “a colloquial expression in which one person acknowledges benevolence that another has bestowed with this human emotion expressed as a ‘debt’” (Holt, 2011, p. 45). Accordingly, if *guanxi* is social capital, it means the negative outcomes from *guanxi* are the negative outputs from social capital.

Zhai (2009) referred to studies from Wenxiong Zhang (2003), Huibin Li (2000), and Dongxue Yang (2000) who declared that there are problems in applying *guanxi* to daily life. It means the way Chinese utilize *guanxi* is varied according to Chinese culture and social structure; hence, some applications are appropriate, but some are not. Therefore, there are academic suggestions to exclude the inappropriate applications of *guanxi*, and this make it easier to match the study of social capital (Zhai, 2009).

However, Zhai alleged that this “solution” also causes a problem—does it mean social capital cannot be treated equally to Chinese *guanxi*? Moreover, it is questionable how to define appropriate or inappropriate, by Chinese tradition and cultural implications or in Western values?

In summation, the concept of social capital treats human relationships as a form of “capital”, and this is contrary to the Confucian ideology on *guanxi*. The concept of *guanxi* is complicated and must be understood and applied according to circumstances. For example, “[I]n traditional Chinese thought, the people involved in a business relationship are not necessarily viewed as connected to each other, as example, a family or clan would be” (Carlisle & Flynn, 2005, p. 83-84). From this point of view, *guanxi* is more than the implication of social capital. In the U.S. society, it is fluid or unclear in the determination of when and under what circumstances favor will be given or collected, but in *guanxi* relationships it is clearly defined (DiTomaso & Bian, 2018). Thus, *guanxi* is a multi-meaning concept in Chinese and in this way, it can be thought of as similar to Western social capital. It is not generally practical to mechanically match Chinese ideas with Western theories. Indeed, Western ideologies will naturally also gradually change traditional Chinese values and subsequently reshape social discourse to utilize Western theories. From this debate, it is important to be aware the differences between *guanxi* and social capital as I conducted my interviews. I kept in mind Chinese history, culture and social structure when interpreting social capital in *guanxi* as discussed above.

**Resource vs. Function.** There is another debate in social capital literature which diverges in to two directions—resource and function. Both approaches contain problems. The resource approach tends to emphasize the positive outcomes of social networks and

overlooks undesirable consequences. The function approach does not actually distinguish social capital from its products. One school views social capital as aggregated resources that provide its members the ability to pursue their interests, such as Bourdieu (1986), Burt (1995), Portes and Landolt (1996), Wang and Warn (2018). Another approach focuses on the function of social capital, as noted in works from Loury (1977), Coleman (1988, 1990), Putnam (1994, 1995), Inglehart (1997), Gittel and Vidal (1998), Wang and Liu (2015), and Bangwell (2018).

As the concept of social capital is adapted as resources, there are problems. Portes and Sensenbrenner (1993) realized the problems in defining social capital as resources. First, "...there is a common tendency to confuse the ability to secure resources through networks with the resources themselves" (Portes & Sensenbrenner, 1993, p. 532). This definition leads to a tautological statement in which the negative effects of social capital are absent and only positive outcomes indicate the presence of social capital. Second, due to the utility of social capital, literature on this topic tends to accentuate on the positive effect of social networks and exclude fewer desirable consequences. Third, under this definition, the motivation of the favored donors during the social transactions is un-theorized (Portes & Sensenbrenner, 1993).

In the functionalist approach, social capital is utilized to characterize how social actors interact within a community. Therefore,

By this way, a whole series of social problems—health, poverty, criminality, unemployment—are related to the community endowment in social capital. This approach should lead citizens and political leaders to find new ways to build

social capital in order to resolve various problems for which social capital is totally or partially the cause (Poder, 2011, p. 352).

However, the functionalist approach also contains problems—it bewilders the cause with results and/or effects. For instance, does a Chinese small business owner start a business because he/she has an abundance of social networks, or does the business allow his/hers an ability to access various social connections?

In this dissertation, it should be suggested that both resources and functionalist approaches are valuable. For example, Light and Bonacich (1988) discussed social networks as resources for Korean immigrant small business owners, and Korean social networks help them to obtain information, financial assistances and business ideas. Menjivar (2000) investigated the informal ethnic networks among the Salvadoran community, suggesting such connections could provide material and information resources and how different social relations helped some Salvadoran immigrants to be self-employed. Wang and Warn (2018) utilized resources and functionalist approaches to study breakout strategies for Chinese immigrants. At the same time, they also explored how those business entrepreneurs create their social connections and how those connections affect their business behaviors. In small business studies, social capital can be defined by function or as resources depending on different situations and subjects. Much researchers' literature combines function and resources in their context and examines the complicated environment that small businesses encounter.

Social capital defined as resource is valuable to study how Chinese immigrants start their businesses by obtaining special resources in the enclave community and from transnational connections. From this point of view, as mentioned previously, social

relationships provide financial resources for Chinese small businesses inside and outside of China when the small businesses face bottlenecks and barriers to growth, especially in obtaining financing from government resources (Garcia-Fontes, 2005). Social capital becomes a vital resource for the Chinese community in the United States. The investigation by Li, Zhou, Dymski and Chee (2001) revealed that Chinese banks handled cross-border money flows and extended networks crossing national borders. In addition, the ethnic banking system also extended social capital to the Chinese American community to obtain clients. Consequently, the banking sector provides an essential role in promoting economic success of the Chinese community in Los Angeles.

The debate is, it is also important to investigate the function of social connections, therefore, making it possible to construct a better environment for small businesses to grow and allow local and global institutions to better assist small businesses? For example, Martin N. Marger (2001) stated that having high levels of human capital and low dependence on social capital, tended to help immigrant entrepreneurs reach long-term success. Social capital is a controversial concept in China and Western society. It produces desirable social and economic outcomes, but also contains negative impacts. The negative side of social capital is an important component to study and further understand.

## **THE NEGATIVE SIDE OF SOCIAL CAPITAL**

Portes (1998) pointed out the positive and negative aspects of social capital. It is important for scholars to investigate positive and negative aspects of social capital in Chinese small business to explain the results according to embedded social and cultural contexts. In Chinese, social capital contains negative attributes, such as exclusivity,



nepotism, corruption, restriction, and Triad gangs. Even though social capital has negative effects, it is questionable whether those negative impacts are bad in all cases. Thus, some “negative” impacts might be turned positive depending on the objects it serves and the circumstance. Certainly, the contexts and nuances must be examined and studied to determine which points to a more complicated analysis of culture and diversity. Moreover, in the social interaction, who can make the decision to define what is good and what is bad, what standards define the positive or negative—morally, culturally, legally, or politically?

Carlisle and Flynn (2005) referred to Paul Steidlmeier’s work (1999) that for the Chinese, “gift giving is a natural dynamic of any relationship: it shows that the relationship is value and is a means of express respect and honor for the other person” (Carlisle & Flynn, 2005, p. 84). Gift giving may be viewed as negative in immigrant small business study, because it increases the cost of networking and can lead to bribes and corruption. Thus, the positive and negative aspects of social capital should be studied and explained differently according to various cultural discourse, historical background, and social structure. Still, the negative side of social capital cannot be ignored.

Some examples of the negative side of social capital in Chinese society should be considered. Triad gangs have the solidarity of social ties, but they create negative social impacts. When social capital reinforces privileged groups, this will increase social inequality. It can make the rich richer and poor poorer. For example, social capital offers opportunities for subordinated individuals in the labor market, however, it also ties and binds individuals to certain fields and impedes them from moving up in the labor market (Bates, Bradford & Seamans 2018; Menjivar, 2000; Wacquant 1998; Wang & Warn,

2018). Loury expanded why inequality was inherited from social capital. Loury considered that disadvantaged groups may be suffering from the perpetuation of inequality as the result of traditionally poor social capital within families and among the communities. Broad examples of such perpetuations are said to be seen in African American and in new immigrant communities, where there are far fewer material resources to exchange for social capital (and vice-versa), and fewer higher educational opportunities for the young due to intra-generational lack of education and resources. Also, poor connections to the labor market and lack of information reduce those subordinated groups' work opportunities.

In addition, a single-minded pursuit of social capital can harm freedom and justice (Putnam, 2001). Putnam believes too much equality in certain forms can undermine liberty and vice-versa. For example, in order to pursue building social capital, a community may restrict freedom and encourage intolerance. Moreover, Walter Bagehot stated, "Public opinion is a permeating influence, and it exacts obedience to itself; it requires us to think other men's thoughts, to speak other men's words, to follow other men's habits" (in Putnam, 2001, p. 351-352). Putnam agreed community connections are sometimes oppressive because of those pressures. Moreover, Putnam points out that social inequality may be embedded in social capital, "Norms and networks that serve some groups may obstruct others, particularly if the norms are discriminatory or the networks socially segregated" (Putnam, 2001, p. 358).

In summary, there are at least four negative consequences of social capital: "exclusion of outsiders, excess claims on group members, restrictions on individual freedoms, and downward leveling norms" (Portes, 1998, P.15). For example, the enclave

community offers opportunities for ethnic Chinese business owners; therefore, other ethnic groups will find it difficult to utilize the resources in the entire community. Those Chinese business owners inside the community face the responsibility to offer jobs for family members and provide various supports for the community. Consequently, it turns promising enterprises into ‘welfare hotels’ (Portes, 1998, p. 16). The excess claim on group members can also be called costs of group solidarity. This can cause free-riding. Less diligent group members can require all kinds of demands on successful members. In addition, social capital helps Chinese immigrants to enter new markets and expand their businesses by using Chinese networking. Social capital within Chinese enclaves can create barriers that block non-Chinese businesses from sharing in this special social resource, thus creating tension between Chinese immigrant entrepreneurs and other ethnic groups within the local community. The enclave also restricts Chinese business development into the mainstream and non-Asian markets. Moreover, individuals’ success stories undermine the group solidity if the group solidity assumes the impossibility of such happenings, therefore it, overall, may depress the group’s norms. Social capital produces undesirable social and economic outcomes not only due to its unclear definition but also because of its limitations and not a fix all for all issues. It is important to understand the limitations of social capital to minimize the negative impacts.

## **CONCLUSION**

Social capital is an evolving concept in the West and China. From Bourdieu, Coleman, and Putnam, who provided the basic frameworks for this concept, China adapts and integrates these concepts with Chinese features after the Chinese economic reforms after the 1980s. There are various approaches and definitions, but scholars must continue

to clarify their definitions and applications according to specific issues. Based on the literature and scholarly research, this dissertation concentrates on the concepts of social capital, embeddedness, intersectionality and transnationalism in respect to Chinese entrepreneurs as the theoretical framework.

For social capital, I will take into consideration on the balance between resources and function. Bourdieu's concepts, the relationship between social capital, economic capital, cultural capital, and human capital, will be instrumental in this research project. Bridging/bounding social capital, strong and weak ties will also be utilized to study how Chinese small business owners use their social networks as their breakout strategies. Social capital can be a valuable tool could be used to explore impediments that Chinese entrepreneurs encountered and present methods to improve their market position. Numerous research studies show that social capital provides positive support for immigrant small business by facilitating and subsidizing human and economic capital. For instance, social capital is a valuable instrument to help a Chinese immigrant small business to overcome human capital barriers and economic and labor shortages. Although social capital can create positive social, economic, and political outcomes, it also may contain problems and negative consequences that must be taken into consideration. The concept of embeddedness will also be utilized in this dissertation to pursue the investigation of the impacts and relationships from the surrounding environments such as Chinese business and local Chinese communities, the market, and the mainstream society. Transnationalism and intersectionality will be combined with embeddedness in this dissertation to explore Chinese immigrant business owners' transnational activities, the impacts and strategies from their transitional connections, and the differences from

their intersectional backgrounds. Based on my theoretical framework, I employed qualitative methods to study Chinese immigrant small businesses. The next chapter details the methodological concepts and initiatives I will utilize to continue the development of the foundation for this dissertation project. In Chapter Three, I explain my motivations, further analyze my two pilot studies, discuss my research field-sites, case study and grounded theory concepts, and the methods employed to gather and analyze data.

### **CHAPTER 3 : Research Methods**

The existing literature on social capital and immigrant entrepreneurial studies helped me to prepare this dissertation research by revealing various approaches and issues for the study. In addition, two pilot studies were conducted that added depth to development of the methods utilized for this dissertation. Consequently, based on existing models I obtained through literature reviews and my pilot studies, I investigated firstly what kind of ties Chinese small business owners have. Secondly, I examined different functions of different ties. Through the different functions, I studied how each social connection helped Chinese small businesses such as providing startup funds and exploring new market resources. Thirdly, I investigated whether any social ties changed over time and how they changed. This chapter will define the methodology as well as elucidate the complex interactions of the multiplicities of social capital encountered in small business, transnational connections and intersectional issues.

In considering Chinese immigrant businesses' motivations, barriers, business strategies, and success/failure stories for this dissertation, I used qualitative methods, including qualitative case study, grounded theory, snowball sampling, in-depth interviews, and observations. Case study allows researchers to explore a phenomenon within abundant data sources through a variety of lenses enabling investigation of multiple facets of this phenomenon (Baxter & Jack, 2008; Yin, 2008). In addition, I also utilized the grounded theory (Charmaz, 2006; Glase & Strauss, 1967; Hussein, Hirst, Salyers & Osuji, 2014) to probe into unexpected findings. For that, I employed a combination of inductive and deductive approaches obtained from existing literature and

theory, but I was open to new and unexpected findings. I utilized interviews and observations as the main methods to obtain data. This study focuses on investigating what kind of social capital assisted Chinese immigrant small businesses to start and grow, what impacts those connections generated, and how they incurred those impacts. In summary, this chapter contains four main sections: my motivations and the preparations, how I determined my research sites, my discussion on methods of data collection, and my methods for coding and data analysis.

## **MOTIVATION AND OPPORTUNISTIC RESEARCH**

Social science research originates from the investigator's critical physical or psychological experiences that spur a level of attention and concern about an issue. (Riemer, 1977; Lofland, Snow, Anderson and Lofland, 2006). Using a primary biographic experience as the incentive for a study is what Jeffrey Riemer (1977) referred to as "opportunistic research". Indeed, this dissertation research project is also an opportunistic research project.

The goal of this dissertation is to investigate the impact social capital has on Chinese immigrant small businesses in respect to startup, operations, growth and the ultimate path to entrepreneurial success. In preparation to meet this goal I drew upon my own experience and knowledge of operating a small business enterprise. I immigrated to America in 2005. Although I had studied English in China for more than twelve years, I experienced humility in expressing my thoughts in English. The contrast between Chinese and American culture and intense competition made it improbable for me to continue my previous career as a television anchor in China. Hence, my career shifted first to business and then to academia and social science. Amidst difficulties in adjusting

to my new social environment, I had to learn a new social system, different laws, social norms, and regulations. I had to rebuild my social network from scratch. The lack of social contacts left me at an extreme disadvantage in the labor market such that I accepted employment at The Home Depot which indeed improved my communication and social skills. Still, I felt my educational background would be better suited in an entrepreneurial endeavor by importing building materials utilizing my Chinese network coupled with my Home Depot experience and my family's construction business. Subsequently, in addition to my import business I became a licensed real estate agent which provided a linkage between home sales and remodeling. In the meantime, I volunteered for community service programs, which helped me expand my social networks. Through these activities I met Asian entrepreneurs who were just like me, struggling to make a living. Although many were in better shape than I, they were still being marginalized from the mainstream market due to cultural and ethnic biases.

As an entrepreneur, I found I had to work longer hours including holidays and weekends in contrast to the typical 9-to-5 job. I needed a very strong resolve to keep myself motivated to maintain my arduous work schedule. I learned how to deal with regulations, taxes, and record keeping. I spent an exorbitant amount of time dealing with legal and networking issues and struggled to make a profit while maintaining my business.

As I started my PhD program on Economic Justice, I recognized that researchers have indeed addressed similar issues as I experienced such as working long hours, being underpaid, and being culturally disadvantaged in the labor market. From these experiences, I felt well prepared to pursue my research on Chinese immigrant small



business owners and the issues they encountered. Subsequently, to further prepare for my research, I conducted the following pilot studies which provided a firm foundation to formulate the direction of this dissertation's research and to systematize my interview questions.

In two pilot studies, I investigated the concept of social capital in Chinese immigrant-owned small businesses. The first study in the Greater Phoenix area encompassed locally owned Chinese businesses. The second study was conducted in the city of Dongguan, China and focused on Chinese-owned transnational businesses. Both pilot studies involved face-to-face interviews lasting from 45 to 90 minutes and consisted of 29 questions focusing on the following areas: (a) Nature of the enterprise; (b) History of the enterprise; (c) The influence of transnational linkages on business plans; (d) Entrepreneur's current activities related to transnational linkages; and, (e) Future plans. These questions examined how social networks (ethnic and business) were established with individuals and the Chinese and local communities and indeed the same questions proved adequate for my main dissertation case studies. The literature review (Chapter Two) and pilot studies establish a solid foundation to prepare and construct the methodology for ensuring a comprehensive approach for this project.

**The Phoenix Metropolitan Area Pilot Study.** Most data gathered in Phoenix metropolitan area pilot study came from participant snowball sampling. Four face-to-face interviews were conducted with Chinese small business owners whose company size was less than a hundred employees. The four respondents were all first-generation immigrant business owners and their businesses included two Chinese restaurants, a second-hand car dealership, and a cosmetologist. The result of this research supported some scholars'

concepts, such as Wang and Warn (2018), Light and Bonacich (1988), and Saxenian (2006), that social capital was important for Chinese immigrant small business owners to enhance the development of their businesses, particularly by bridging social ties<sup>xxviii</sup>. Also, notable, the respondents felt that they were marginalized from the mainstream market because of their ethnicity. Through observations over the years, the respondents were heavily dependent on social capital for start-up funds, emotional needs, management, business models, and decision making. Also, as immigrant small business owners, Chinese small entrepreneurs found it difficult to utilize American social and institutional support systems, thus help from trusted friends was very important.

**The Dongguan, China Pilot Study.** The second pilot study was in Dongguan, China. Six interviews were completed with toy related businesses having work forces of two to four-hundred employees. The respondents interviewed consisted of the owners and general managers of a computer animation business and two toy factories. Most small business owners revealed they have an agency agreement, a special license to do import and export business, a client portfolio, and professional sales teams that created economic profits for their businesses. Therefore, these weak ties tended to create more economic opportunities for them. However, each manager revealed that friends, because of the trust factor, were the most significant business relationship for them. Based on my experience and the two pilot studies, I developed the hypothesis that weak social ties tend to become “strong” connections over time by these owners as an integral perception of their sense of success.

Through these pilot studies and the convenient accessibility to local Chinese-owned immigrant small businesses in the Phoenix area, I was able to narrow the study to

focus on the concept of social capital in Chinese immigrant-owned small businesses in the United States and narrow my research site to the Phoenix and Los Angeles (L.A.) metropolitan areas.

As a result of my groundwork I developed three research questions:

- What barriers do immigrant small business owners encounter?
- What social connections provide help for immigrant small business owners to overcome those barriers or intensify their disadvantaged situations?
- How do social networks influence immigrant small business development?

My social activities over the past nine years helped to establish the connections with local Chinese community leaders in Phoenix and L.A. Later, they became my key informants. My social and business relationships in L.A. area over past few years were developed through family relatives and several key informants within the Phoenix Chinese community. I built upon these relationships and recruited the founding President and Executive Director of the local Asian-Americans legal organization. In turn, his strong social connections recruited other Chinese small business owners in the Greater Los Angeles area. An elite American-Chinese organization in Los Angeles became an additional key information source. Further, family relatives with roots in Los Angeles referred five potential respondents to my project. In the next section I will introduce my methodological approach.

## **METHODOLOGICAL APPROACH**

The original design of this dissertation was based on grounded theory to investigate new concepts of social capital in immigrant entrepreneurial study. I analyzed

and defined my methodological approach along with the process of conducting interviews, observations, and reviewing literature. I adopted a combined inductive and deductive approach that was framed by existing literature and theory and was open to new and unpredicted findings. With sustained study, I deducted my hypothesis from said literature, and decided to utilize case study.

Based on the three research questions and referring immigrant small business research (e.g., Light & Bonacich, 1988; Saxenian 2006; Valdez, 2011; and Wang & Warn, 2018), case study and grounded theory were utilized to conduct this project. Small business research includes anthropology, economics, psychology, sociology, geography, politics, and history (Curran & Blackburn, 2001; Perren & Ram, 2004). Case-study has become common in the small business and entrepreneurship research (SBER) (Perren & Ram, 2004). To investigate the impact of social capital on Chinese small businesses and to better understand the concept of strong/weak ties, the *collective* case method was used for this study.

In addition, grounded theory, which starts by collecting pertinent data and then generating theories (Hussein, Hirst, Salyers & Osuji, 2014), provides a systemic and flexible guideline for collecting and analyzing data. It helps to approach and analyze unexpected data through in-depth interviews (Johnson, 2001). Indeed, Glaser and Strauss (1967), and Charmaz (2006) suggested that grounded theory can be applied as a strategically flexible guideline according to researchers' own practice, and it complements other qualitative research approaches (Charmaz, 2006). Thus, this research project combines grounded theory with case study, and the grounded theory helped my

coding and data analysis process. The following section introduces the two research locations and the reasons I selected Phoenix and L.A.

## **THE RESEARCH SITES, PHOENIX AND LOS ANGELES**

In choosing the locations for my research I required two diverse regions that had an adequate Chinese population to ensure my research objectives were attainable. My first choice for my research site was the Greater Phoenix area<sup>3</sup>. As a resident of Phoenix since 2007, and heavily involved in Chinese community service over the years, the strong relationships obtained with many local Chinese entrepreneurs made potential respondents accessible for this dissertation. In addition, the pilot study, *“Investigating Social Capital in Respect to Chinese Small Businesses”*, conducted in Phoenix in 2011, proved the adequacy of Phoenix to provide the resources required to acquire key informants and respondents. As a relatively young metropolitan area for Chinese immigrants, Phoenix allowed for a relatively straightforward data collection method in regard to immigration barriers, immigrants’ goals, and social relationships.

My second regional choice was Los Angeles where Chinese immigrants had deeper roots and where the collection of entrepreneur data required additional effort to seek out Chinese small businesses. This case study provided multifaceted data to illustrate the social and historical environment for small business development.

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<sup>3</sup> Phoenix, Avondale, Chandler, El Mirage, Gilbert, Glendale, Goodyear, Litchfield Park, Mesa, Paradise Valley, Peoria, Queen Creek, Scottsdale, Sun City, Sun City West, Surprise, Tempe, and Tolleson.

Therefore, the diverse regions of Phoenix and Los Angeles were important for this study because they enriched the depth and breadth of the research.

**The Greater Phoenix Area.** Chinese have inhabited Phoenix for over a hundred years (see Figure 1). According to According to a 2005-2007 American Community Survey, Maricopa County had a population consisting of approximately 2% Asian, and per the statistics from United States Census Bureau 2010-2018, the Asian population in the city of Phoenix increased to approximately 3.6%. The Greater Phoenix area is a growing immigrant zone for Chinese. According to the headline in the Phoenix Business Journal, April 23<sup>rd</sup>, 2014, “*Arizona, Nevada tops for Asian population growth*”. The article stated that the Asian population increased 122 percent since 2000 and that the Chinese and Filipino communities occupy the largest share of the Asian population. Clearly, Phoenix with its growing Chinese immigrant population, would be a good location for Chinese entrepreneurs.

Even though Chinese have a long history in this area, the Chinese population barely grew because of the anti-Chinese movements and the Chinese Exclusion Act of 1882. As of 1950, the Chinese population in Phoenix was only 448, and they were mainly in the restaurant, laundry, and plantation industries (Zhang, n.d.). The first Chinatown in Phoenix was a small eight-block area between Adams and Montezuma Streets (First Street) (Tang, 2016), but the stereotypical “Chinatown” never evolved as the Chinese population has assimilated within the mainstream community. The Chinese Cultural Center was built in 1997 by a real estate firm called BNU Corporation a subsidiary of China National Cereals, Oils and Foodstuffs Corporation (COFCO), a business owned by the Chinese government. The Cultural Center served as a small

gathering place and contained a Chinese grocery store, restaurants, an art store, a travel agency, and an herbal market. In June 2017, a local Scottsdale-based True North Companies' subsidiary purchased the Cultural Center and adjacent 97 condominium units and planned to remove all features connected with Chinese culture and history from the exterior of the buildings to create "modern" office buildings. This redevelopment has been delayed by protest and law suits which contend this would destroy an important piece of Arizona's history. Although the Chinese immigrants are proud of the Cultural Center, they do not inhabit this area. Instead, they chose to integrate within the nearby suburbs and satellite cities.



*Figure 1.* The FIRST CHINESE RESTAURANT IN PHOENIX, 1900<sup>4</sup>.

**The Greater Los Angeles Area.** Los Angeles (L.A.) was my second location to study Chinese immigrant businesses. L.A. has a long history of Chinese immigrants who

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<sup>4</sup> From H. Zhang, n.d., Chinese United Association of Greater Phoenix. Retrieved from [http://www.paaca.us/100year\\_az.Htm](http://www.paaca.us/100year_az.Htm)

started and still maintain small businesses there. According to [asian-nation.org](http://asian-nation.org), almost 60% of Asian American businesses are in California, New York, Texas and Hawaii, and more than one-third are in the metropolitan area of Los Angeles and Orange County. According to the statistics from United States Census Bureau 2010-2018, the Asian population in Los Angeles county is approximately 15.3%. Chinese small businesses made up 27% of Asian-owned businesses in 2007 ([asian-nation.org](http://asian-nation.org)). L.A. contains one of the most diverse populations in the United States and encompasses the largest number of Chinese residents clustered in a downtown Chinatown since the nineteenth century (Li, 2009). As Light and Bonacich (1988) discussed, the two main reasons that brought immigrants to L.A. was the noneconomic factor of chain migration. Chain migration increased as newcomers followed their relatives. The second reason was the economic factor; L.A. provided an attractive market for immigrants. Furthermore, L.A. became a magnet metropolitan city for Chinese immigration entrepreneurs because of its desirable public education system, temperate weather, and geographic location. The high concentration of immigrants and immigrant entrepreneurs still thrive in the city of L.A. (Light & Bonacich, 1988). Consequently, this area contains rich structural-contextual factors to study the Chinese immigrant entrepreneurs, including their distinctive history of diversified race relations with other Asians, Whites, Blacks, and Hispanics.

These two research sites, Phoenix and L.A., with their historical roots, numerous respondents, and social environment provided a wealth of data for this research. Within these two research locations, I conducted two case studies involving in-depth and detailed investigations to examine social capital in various stages of Chinese immigrant business development. In the next section, I will introduce my methods of data collection.



## **METHODS OF DATA COLLECTION**

As mentioned, for the past nine years through my professional career and my volunteer services in the Chinese communities as a social researcher, I was able to develop close relationships with key informants to collect data for this project. The volunteer work and social engagements helped me to establish trust within the local community. These activities were essential in recruiting my respondents. The initial phase of my study began in November 2013. During this period, my key informants led me to 21 additional respondents upon whom I used snowball sampling methods to obtain the rest of my participants for a total of 23 respondents.

**Key informants and snowball sampling.** In Phoenix, I volunteered in local Asian and Chinese organizations, and then established social relationships with community leaders and local business owners. For example, the Chinese United Association of Greater Phoenix and the Chinese Restaurant Association (Phoenix) became two major key sources of respondents in Phoenix. My social and business relationships in the L.A. over past few years were developed through family relatives and several key informants within the Phoenix Chinese community. For example, the founding President and Executive Director of the local Asian-Americans legal organization was one of the key resources. The Committee of 100 (C100), an elite American-Chinese organization, was also one of the key information sources in L.A. Further, family relatives who have roots in Los Angeles referred five potential respondents to this project.

Through key informants, I employed snowball sampling to recruit respondents. Snowball sampling is a method I used effectively to recruit qualified respondents. “One

respondent is located who fulfills the theoretical criteria, then that person helps to locate other through her or his social networks...sampling begins with acquaintances and moves on to strangers. This is typical of snowball sampling.” (Warren, 2001, p. 87). For example, Fang was one of the key informants in the Phoenix case study, and she was also a respondent for the study. Fang referred her friend Lao, the owner of a Chinese super market, and her supplier Ning. Fang called Ning after her interview and helped me to make an appointment at Ning’s warehouse. As in the Phoenix case study, I recruited L.A. respondents through key informants. The ability to find qualified respondents in L.A. was underestimated during the preparation period. The existing key informants from the Phoenix case study became vital. For instance, Gao who was a Chinese community leader in Phoenix, referred two L.A. respondents to join this project.

In addition, my job as a real estate agent also helped to develop potential respondents in Phoenix and L.A. through real estate investment activities. As my clients, they developed trust in me through my business activities. Over the years, I accumulated a list of business clients from Phoenix and L.A., and later some of them agreed to participate in my project or refer to me qualified business owners. To avoid any conflict of interest, I discontinued all business relationships with those who assisted my project. Consequently, I recruited a total of 23 respondents. My three primary methods of data gathering were face-to-face in-depth interviews, telephone interviews, and observations. Prior to commencing the interview, I always asked for permission to audio-tape the discussion, and only one respondent preferred not to be audiotaped.

**Face-to-face in-depth interviews.** The major method for data gathering in my research was qualitative in-depth interviews. In-depth interviewing is a method used in

qualitative research to gather personal narratives, life stories and oral histories (Johnson, 2001). The purpose of qualitative interviewing “is to understand others’ meaning making” (Warren, 2001, p. 97). In fact, through the data collected from my pilot studies, thoughts and hypothesis were generated for the dissertation study. By referring to existing literature, the research questions evolved from the pilot study and I applied these findings to guide this dissertation research. As Maxwell stated, a research question is “...the heart, or hub, of the model; they connect all the other components of the design, and should inform, and be sensitive to, these components” (Maxwell, 2005, p.5).

Based on the three research questions<sup>5</sup> and considering other immigrant small business research studies (e.g., Light and Bonacich, 1988; Saxenian 2006; Valdez, 2011; Wang & Warn, 2018) and with a series of investigations on transnational perspectives (Bagwell, 2018; Schiller, Basch & Blanc-Szanton eds., 1992; Wang & Liu, 2015), the research questions were further developed into five categories to map out interview questions: (a) Nature of the enterprise (see Appx A.); (b) History of the enterprise; (c) The influence of transnational linkages on business plans; (d) Entrepreneur’s current activities related to transnational linkages; and, (e) Future plans. These categories included business people as well as their social networks. The full list of interview questions is in Appendix A. To allow respondents to deliver logical and in-depth information about their experiences open-ended in-depth interview questions were asked. It was important to understand the respondents’ point of reference when designing the

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<sup>5</sup> First, what social connections provide help for immigrant small business owners to overcome those barriers? Second, how do social networks provide help for immigrant small business owners?

interview questions and to avoid irrelevant debate without stifling open dialog. “To gain clarity on the goals for conducting in-depth interviews, the researcher must achieve clarity on the research questions. An important issue is the researcher’s relationship to member knowledge and lived experience.” (Johnson, 2001, p. 107).

I allowed the respondents the latitude to talk freely to go with the flow, and this generated unexpected information. In this way, respondents could voice their thoughts while providing rich detailed empirical first-hand data to explain their experiences. From their personal stories, it was possible to detect their motivations for choosing or avoiding certain social connections and how they utilized those networks to overcome barriers. As Johnson pointed out:

As an interview progresses, it often takes unexpected turns or digressions that follow the informant’s interests or knowledge. Such digressions or diversions are likely to be very productive, so the interviewer should be prepared to depart from his or her prepared plan and “go with the flow”—that is, consider following for a while where the informant want to lead. It is essential that the interviewer be assertive enough to return the interview to its anticipated course when necessary, but not so rigid as to preclude his or her learning unexpected information.

(Johnson, 2001, p. 111).

Subsequently, when the respondents finished their free unobstructed expressions, I politely returned to the interview questions. In addition, my previous social and business activities with many of the respondents provided a foundation for in-depth interviews regarding their barriers, business activities, and business perceptions. My personal experience as an immigrant small business owner coupled with my involvement in the

local Chinese community facilitated the in-depth interviews, allowing me to gain respondents' confidence to explore the Chinese immigrants' perception and knowledge of social capital and immigrant entrepreneurship. Being an immigrant entrepreneur, I was aware of the many pitfalls that entrepreneurs encountered. As Johnson (2001) alerted, I was careful in sharing my experiences as to not create a barrier and stifle opening new and nuanced findings. Therefore, grounded theory helped me to open up to the possibility for unexpected materials and findings and "the use of grounded theory methodology to analyze the accounts of members of some social setting" (Johnson, 2001, p. 105).

It is important to plan and prepare for in-depth interviews (Johnson, 2001). Upon agreeing to do the interviews, I sent the research questions through email to each respondent ahead of the interview. For those respondents without access to email, I explained interview questions when I setup the interview appointments. It took an average of three months to make all the arrangements. The planning and detailed preparation allowed me to conduct two to three interviews per day in Phoenix. For the L.A. case study, my interview skills improved, and the well-planned strategies allowed three to four interviews per day.

I found that my experience and skill as a reporter in China was helpful in conducting interviews. I often opened the conversation with small talk to create a relaxed environment with new respondents whom I obtained from snow-ball sampling. The casual conversation consisted of questions about their hometown, activities in the local community, learning about common friends, etc.. For those interviews with previous

acquaintances, the conversation would catch up on recent activities, local news, or news about mutual friends.

For all interviews, I took detailed field notes and transcribed them after the interview. Field notes included my initial feelings, and observations, and evaluations of the interview environment. No monetary compensation was made to any respondent. If the question or sub-questions were of a sensitive nature to the interviewees, I did not pursue or delve further into this line of questioning.

The interviews typically were in the language the respondents preferred, mainly Chinese Cantonese or Mandarin, with a few in English. Most interviews ranged from 45 to 90 minutes. Because respondents could elaborate on their stories, some interviews lasted two to three hours. In total, I conducted 20 face-to-face, semi-structured, in-depth interviews, 13 in L.A and seven in Phoenix. Generally, the interviews were conducted in the respondents' office, however I also completed interviews in restaurants, coffee shops, and at the respondent's residence as they preferred.

**Telephone/Skype interviews.** Due to the busy schedules, three respondents were not able to accommodate face-to-face interviews. Instead, they preferred telephone or Skype interviews. Therefore, two phone and one Skype interviews were conducted. With the respondents' permission, I also audio-taped the interviews. I used speaker phone in order to record the entire conversations. During the telephone or Skype meetings, I also took notes which proved essential when the telephone conversation was not clear. The telephone and Skype interviews lasted an average of 90 minutes. As mentioned, respondents could use their preferred language. For instance, I conducted a telephone

interview with Hong. Hong was referred by Feng who was one of the key informants on the list and a leader in the local Asian-American community. Hong, a lawyer, was too busy to do a face-to-face interview. Thus, she preferred a short telephone interview. I emailed her interview questions and the purpose of this study before the appointment. The telephone interview was set to be on her lunch break. Hong allowed less than 20 minutes to conduct the interview and strictly kept to the research questions to save time. Questions relating to her personal portfolio were skipped since she felt that information could be obtained through her company website. This interview as a bit contrived and lacked the in-depth substance I desired, but some interesting data was gathered.

The second telephone interview followed the same routine as the face-to-face interviews. Yong was a Chinese community leader known through local social events for over eight years. She preferred to do a telephone interview rather than a face-to-face one. To enhance the conversation, like in the other interviews, she started the conversation with her own personal history. This telephone interview in Mandarin lasted 70 minutes.

I also conducted one Skype meeting in Phoenix with L.A. respondent Kong. Kong has offices in China and the United States and travels often between the two countries. Kong agreed to conduct an overseas Skype interview because he was managing a large project in China. The interview questions were emailed to him and a subsequent Skype meeting was conducted which lasted for more than an hour.

Through the interview process, some respondents tended to portray a “biased, virtuous” image. My personal observations over the past nine years helped me to obtain additional and diverse findings behind their stories. This helped me to avoid seeing

respondents through only one lens since a variety of research methods can be applied to investigate multiple facets of a phenomenon (Baxter & Jack, 2008).

**Observations.** The second major method to gather data for this project was observations during the past nine years. I attended respondents' formal and informal business meetings, local organizational meetings and events. I also made observations of their daily life in Phoenix and L.A. at such events as meetings, conferences, and training programs provided by C100 in L.A. Mariampolski (2006) stated that observations could be conducted "in a variety of settings, including laboratories and research facilities...or any other everyday 'real world' settings...where people live their daily lives: in homes, offices, retail stores, and so on" (Mariampolski, 2006, p.112). Therefore, through formal and informal observations, it was possible to understand their businesses, management models, and emotional connections. In addition, informal observations through Chinese small business owners' employees, competitors, and friends helped to evaluate respondents from different points of view and provided findings with diverse perspectives when analyzing interview data. This technique increased the accuracy of the research content and even provided unsolicited information.

For example, I observed Dang, the owner of a toy factory and wholesaler. Dang was one of the key informants obtained through the C100 program. I was able to acquire informal observations of Dang through informal conversations at different social events, and each conversation lasted about 30 minutes and mainly related to his business. I also attended his mentoring lecture, organized by C100, which lasted for three hours. Additionally, during meetings and events I also gathered material related to Dang. Such material included books that studied Dang's factory to highlight Chinese Immigrant



businesses, news articles that investigated his business development, and documentaries and an interview of Dang on YouTube. Therefore, in preparation for the interview, I had developed a comprehensive understanding of Dang. Along with the interview, I was given a 30 minutes' tour of his factory to observe his business activities.

Another example of observation was Tang. I visited and observed his factory three times over the past few years, and each time the visit lasted around 30 minutes. The observation and factory tours included how Tang managed his work, handled products, and the environment in his factory. His wife who is also his business partner provided additional information of Tang's business and personal activities. Through the informal conversation and observations, business information was introduced such as how they handle their clients and, when they were not at the factory, how they manage the business remotely. The formal interview was conducted in Tang's factory at Temple City, California with a one-hour site observation.

Extensive informal observations provided more unexpected information. For instance, I kept in contact with respondent Fang, a friend for the past nine years through social and personal activities that kept track of her changes in business and personal life. Moreover, dinning in her restaurant four to five times a year with an average of two to three hours per visit. Through these informal observations I was able to observe her restaurant operations and provided the opportunity to converse with her husband, business partners, their clients, and employees. Mutual friends between Fang and I also provided indirect information about her career path and personal activities.

I also conducted observations during my business activities. For example, I was involved in business projects from 2012 to 2014 with Kong. Through this I conducted observations on a trip to China to meet his clients in 2012. Further by working with Kong in 2014, on a cultural project between China and the United States for three months, I had a good opportunity to observe and study his business. During that project, it was possible to observe the way he handled his business, negotiated with his clients, conducted relationships with his business partner, and managed his Chinese clients.

My real estate business provided me excellent opportunities to observe respondents when they requested professional consulting with me, such as Huang, the owner of an online fashion retailer. Having a personal and business relationship with Huang for five years, informal observations were employed. Huang was my client through real estate transactions. Before the L.A. interview, several earlier satellite meetings were conducted, and each meeting lasted more than two hours. From those meetings with his business partner and parents, Huang introduced his business structure, his main issues with his Chinese suppliers, his service center, and his investment partner.

I was able to conduct observations on 12 respondents. These observations often revealed unexpected information to augment my interviews providing a broader perspective obtained from third parties such as clients, suppliers, and employees. Thus, for the Phoenix and L.A. case studies, I approached respondents through key informants, family relatives, and business clients. Through this method, I recruited 23 respondents. 21 respondents were first-generation immigrants and two were second generation immigrants. They worked in various business venues including supermarkets, restaurants,

food supply, education, construction, real estate, legal and medical practices, online retail, media, garment manufacturing, investment, printing, and toy factories. The number of employees numbered under 100 with the exception of one wholesaler who had 200 employees all within the category of small business according to the definition of small business<sup>6</sup>. All respondents in this dissertation are anonymous, and I gave each of them a pseudonym.

Table 1-3 is a summary of Phoenix and L.A. respondents:

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<sup>6</sup> The definition of small business was based on different industries, and the detailed definition at the section of Definition. In this dissertation's definition, a small business includes "Wholesaling: Maximum number of employees may range from 100 to 500 depending on the particular product being provided".

Table 1

*Phoenix & L.A. Demographic Profiles*

	Variable (PHX)	Number (PHX)	Variable (L.A.)	Number (L.A.)
Age	20-30	0	20-30	0
	31-40	2	31-40	2
	41-50	1	41-50	2
	51-60	2	51-60	4
	60+	4	60+	7
Language	Chinese	7	Chinese	5
	English	2	English	2
	Bi-Lingual Chinese English	/	Bi-Lingual Chinese English	7
Education	Primary school	1	Primary school	/
	High school	1	High school	1
	Some College	3	Some College	5
	College Graduate	4	College Graduate	8
Line of business	Food Service	3	Food Services	1
	Wholesale Trade	1	Wholesale Trade	2
	Construction	1	Construction	4
	Retail Trade	1	Retail Trade	1
	Professional, Scientific, and Technical Service	1	Professional, Scientific, and Technical Service	3
	Health Care	1	Art, Entertainment, and Recreation	1
	Educational Service	1	Manufacturing	2
Type of ownership	Family-based	4	Family-based	9
	Self-owned	3	Self-owned	7
	Partnership	2	Partnership	2

Table 2

*Demographic of Phoenix Interviews*

Name	Gender	Time in U.S.	Why in U.S.	Language	In business	Number of employees
Fang	F	24	Education	Chinese	10+	20-30 Chinese Hispanic
Ning	M	23	Refugee	Chinese	7	34-40 Chinese Hispanic
Yong	F	20+	Family & Education	Chinese	10+	13-14 Chinese
Lee	F	37	Chain Immigration	Chinese	34	30-40 Chinese
Lu	M	41	Chain Immigration	Chinese	41	30-40 Chinese
Lao	M	36	Education	Chinese	10	65 10- Chinese 55-Other
Wei	M	31	Education	Chinese	40+	20 Chinese 19 Caucasian 1
Hong	F	34	Chain Immigration	English	10+	70
Ming	M	67	Chain Immigration	English	46	40

Table 3

*Demographic of L.A. Interviews*

Name	Gender	Time in U.S.	Why in U.S.	Language	In Business	Number of Employees
Huang	Male	10	Change Environment	Chinese	2	12 White, Hispanic, Chinese
Yu	Male	19	Education	Chinese	2+	11 Hispanic and Chinese
Tang	Male	21	Hong Kong Refugee	Chinese	17	10 Asian
Song	Male	30+	Vietnam Refugee	Chinese	20+	10 Asian
Xin	Male	U.S. Born	U.S. Born	English Chinese	40+	8 to 12 Chinese and Hispanic
Chen	Female	20-30	Education	Chinese	3	30 Chinese
Wu	Male	36	Family (chain) immigration	English and Chinese	25	80 Hispanic Asian
Bao	Male	31	Education	English and Chinese	21	7 Chinese and Hispanic
Kong	Male	34	Education	English and Chinese	37	10 Chinese, 1 Jewish
Cao	Male	67	U.S. Born	English	30+	4- Japanese , 4- Chinese 2-ABC
Tao	Male	48	Education	English & Chinese	33	1- Filipino 1- Hispanic 38-Caucasians
Shen	Male	36	Education	English and Chinese	20	17-18 (most Chinese)
Dang	Male	48	Education	English	27	200 Hispanic 80% Chinese 20%
Pang	Male	48	Family (chain) immigration	English & Chinese	32	54 Chinese

My respondents consisted of ethnic Chinese from different regions, such as mainland China, Hong Kong, Taiwan, Vietnam, and American born Chinese. All L.A. and Phoenix interviewed businesses were family-owned, and most of the owners were sole proprietors or partnered with family members or friends. Their age ranged from 30 to 80 years old. Most of respondents had advanced degrees. After I finished transcribing the interview audiotapes and organized my field notes, I started the process of data analysis. In the following section, I will introduce how I conducted my data analysis and coding.

## **DATA ANALYSIS AND CODING**

This project used open-ended research questions, and the interviews created a massive amount of data. The interviews for this project covered two large metropolitan areas and lasted nine months. In summary, I generated 32 interview hours, and this transcribed to 434 pages of single-spaced typewritten data. My observations and handwritten field notes consisted of 473 pages. Pettigrew pointed out the dangers of “death by data asphyxiation” that comes from the volume of data from a case study (Pettigrew, 1988 in Eisenhardt, 1989). Thus, systemic categorizing and coding the interview data was essential in providing analytic results from the data (Charmaz, 2006).

Because the interviews were conducted in Chinese and English, the task of translation and transcribing was significant. Indeed, several interviewees chose to utilize English, Cantonese and Mandarin in their responses. I initially attempted to solicit Cantonese, Mandarin and English translators, as well as utilizing Dragon

NaturallySpeaking software to assist me in the translation and transcribing effort.

Unfortunately, the effort was unproductive causing me to complete the translation and transcription task myself.

The transcripts were analyzed, line by line, and notes were made. Based on the data, multiple Excel spreadsheets were created to categorize and standardize the data and coding. I utilized a grounded theoretical approach to analyze my data and guide my coding process. “Coding means naming segments of data with a label that simultaneously categorizes, summarizes, and accounts for each piece of data” (Charmaz, 2006, p.43). I used general terms from interviews as initial coding, such as “loan”, “money”, “saving”, which explored the implications of respondents’ meanings and actions. And then I moved to line-by-line coding to name each line of my written data. Line-by-line coding allowed me to “remain open to the data and to see any nuance in it...help you to identify implicit concerns as well as explicit statements” (Charmaz, 2006, p. 50). In addition, I also identified unexpected themes while doing line by line analysis manually and used Word comment tab to feature the unanticipated data. From the initial line by line coding, I used focused coding by identifying the most significant and frequent earlier codes to narrow my data. For example, from the initial coding related to financial issues, I collected the codes related to self-sustaining financial resources such as personal savings. I selected the code “self-sustained financial resources” to synthesize and find out the main themes of interviewees’ statement.

I investigated both expected and unexpected themes. From that, I summarized the data and created an Excel spreadsheet which contained items including names, age,



interview language, gender, education, business type, years in the United States, and years in the business, local connections, regional connections, national connections, and transnational connections. I generated additional spreadsheets consisting of conceptual notions, such as their definition of success, the American dream, negatives of social capital, and their attitude toward the American society. With these forms, it was possible to do comparison and synthesizing with the massive data. From the interview contents, fragments of the text that contains research questions were found, and short names were also applied to code and categorize those data for emerging theoretical notions.

Our codes show how we select, separate, and sort data to begin an analytic accounting of them. Qualitative odes take segments of data apart, name them in concise terms, and propose an analytic handle to develop abstract ideas for interpreting each segment of data. As we code, we ask: which theoretical categories might these statements indicate? (Charmaz, 2006, p. 45)

Then the inconsistencies of meanings throughout the interviewee's stories were applied and the implications of certain accounts were highlighted. As the coding progressed, I revisited the data from the first stage of coding and analyzed key themes. The coding and data analysis process allowed me to conceptualize and sort the raw material from interviews aided me in constructing and selecting themes for Chapter Four and Five.

The Chapters Four and Five address the findings from the Phoenix and L.A. case studies respectively. From the massive amount of data, I will present my data analysis in findings with a chronological presentation. This means I will introduce how the Chinese

small business owners started their business, and then moved to their business development and finished with their discussion on success and failure.

## **Chapter 4 : Chinese Small Business Findings In Phoenix**

Many of the Chinese small business owners in the Greater Phoenix area are new immigrants who were disadvantaged in the local job market. To obtain financial success and achieve autonomy<sup>7</sup> and to utilize their human capital many new Chinese immigrants became entrepreneurs. The Phoenix metropolitan area prospered, attracting new Chinese immigrants, and many of these immigrants settled in the suburbs. This area is a valuable site for investigating the types of social linkages in Chinese small businesses, particularly for the start-up businesses of first-generation immigrants. This research analyzes the various types of social capital and the strategy in which the Chinese small business owners utilized social capital to benefit their businesses.

This chapter includes thematic sections: (a) how Chinese small business owners started the business, (b) the barriers they encountered, (c) business strategies used to reach goals and overcome barriers, and (d) how business owners conceptualized business achievement. From these sections, the three research questions<sup>8</sup> were discussed. These three research questions were answered through the lenses of Chinese immigrant business owners' motivations, the barriers that they encountered, their business strategies, and their definition of success.

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<sup>7</sup> Respondents viewed autonomy as gaining greater independence than their wage jobs.

<sup>8</sup> What barriers do immigrant small business owners encounter? What social connections provide help for immigrant small business owners to overcome those barriers or intensify their disadvantaged situations? How do social networks influence immigrant small business development?

Chinese immigrants initially had few social, cultural, and financial roots in the Greater Phoenix area. The main barriers for Chinese small business owners were the shortage of start-up funds, their marginalized markets, and the lack of social and governmental support. Although four respondents had received their education in China, even those who obtained college degrees, it was difficult to leverage their education in the U.S. job market. From a total of nine interviews, the similarities of their goals, challenges, concerns, and achievements were identified. For instance, respondents effectively had to start from scratch by utilizing their limited local social connections to obtain financial support, essential labor force, niche suppliers, and a customer base. They accessed business information through social ties and used strong ties to verify the authenticity of what they learned. Social capital and a growing reputation were the means to measure their business success.

## **STARTING A BUSINESS AND SETTLEMENT CHOICE**

**Starting a Business.** Social capital played a significant role in the decisions regarding how and why Chinese immigrants started their businesses and selected their business locations. Through face-to-face interviews and observations of social events and personal activities, my findings revealed three key motivations that encouraged Chinese immigrants to start a business: limited opportunities in the local labor market, strong ties with family and friends, and financial mobility and autonomy. The respondents with graduate degrees and more resources in their background tended to find professional careers and worked more with non-Asian groups as an employee, a business partner, or an association member. Those with lesser education and fewer resources became entrepreneurs in an attempt to overcome the lack of employment opportunities. The

majority of Chinese non-professional businesses employed Chinese workers. Regardless of educational levels, business owners worked to keep their business sustainable. With regard to the first research question, this section mainly addresses the human capital and financial capital disadvantages. Chinese small business owners utilized strong ties to family members and friends in their business strategies to overcome those problems, and these data partially answered the second research question. Indeed, five respondents' business partners were their spouse and family members, and their spouses often played a supportive role in the family-owned business.

**Financial Mobility and Autonomy.** The main reason to start a business for Phoenix Chinese entrepreneurs was financial mobility as well as autonomy. However, the respondents had different goals, some focused more on autonomy while others concentrated more on financial mobility. Seven of the nine respondents directly or indirectly stated that making more money and enjoying management freedom were their main concerns. Respondent Fang, a female restaurant owner, came to the United States when she was 17 for educational opportunities. She claimed she was admitted to a community college, but she did not finish her degree and subsequently found work at a local dairy company for a brief time. She was in the 40- to 50-year-old age group, and she now co-owns the business with her husband. When interviewed, she stated,

In America, the real freedom is financial freedom, and it is the real freedom in this country. When you don't have to struggle for money and no longer are a slave for it, you have achieved real freedom. (Translated from Chinese.)

Respondent Ming. Ming is a middle-class, 70-year-old male, first-generation immigrant and a renowned medical doctor both nationally and internationally. He

obtained his medical degree from the U.S. Army and served out his enlistment as a medical doctor. He stated while he worked for the government, he enjoyed a privileged life as a doctor working overseas. Subsequently, after working for a lengthy period in a for-profit medical organization, he became tired of dealing with insurance companies and hospital clerks. Consequently, Ming decided to start his own business to acquire economic freedom and management autonomy. He described his business motivation:

I want autonomy. I'm a doctor, I don't want anybody telling me what to do because nobody knows better than I, and so I want the patient to choose who treats them. Patients choose me, I'll take care of them, if they don't choose me, don't waste my time.

In Ming's case, even though he was a medical doctor, he made a relatively good income as compared to other wage-earning jobs. Still, he was still not satisfied with the financial restrictions from insurance companies and the management hierarchy of the hospital system. Probably because of his educational background, Ming was the only one who clearly employed the word *autonomy* to describe his business motivations and goals.

Phoenix respondents used different terms to reveal those needs of autonomy, such as "big boss," a term that represents management autonomy. For example, respondent Lu was in the 50- to 60-year-old age group, and he did not wait to finish his college education before starting to work in a restaurant. Subsequently, he opened his own business. Lu has been in the restaurant industry for more than 40 years. His business motivation was to make money, and his goal was to be like his business partner who had already achieved his autonomy goal and was a "big boss" of a company. Even though Lu

already owned four fast food restaurants and one elegant Chinese restaurant, he still felt the need to struggle to obtain his goal to become “a big boss of a company”. He said:

Of course, [I wanted] to become a big boss of a company, I’ve worked so hard, but it seemed like I still haven’t accomplished that goal. If I’m able to achieve it, I will at least be able to relax, and the only thing I need to do is to check my computer. (Translated from Chinese.)

In Lu’s story, he certainly strived for more money, and it was the reason that he quit college and began his entrepreneurship. Unlike Ming, Lu did not use the word autonomy. According to Lu, the term *big boss* implied two meanings: making money and management autonomy. In the context of the interview, he revealed an eagerness for achieving a financial freedom and life autonomy by using the term *relax*. When he talked about his business role models and his *big boss* business desires, he stated:

They sit at their home office in their own house, you know, Chinese like to have a big home office with big screen television. If one of his businesses is short of supplies, he is able to make an arrangement through a phone call. They don’t have to work in their restaurants. They can go to have an afternoon tea anytime they want. They will be fairly free they will also live in a nice neighborhood, have a car, or have a lot of real estate. Rich people may not have a lot of cash, but they have a lot of properties. They don’t have to worry about food on their table.

(Translated from Chinese.)

The motivation for financial mobility and autonomy would also encourage other entrepreneurs to start their business through a successful story from others. Business owners’ comments clearly indicated that financial freedom and business autonomy were

the most important reasons for respondents to open their own business. This finding reflected many other immigrant entrepreneurial studies about the motivation of financial and management freedom (Light & Bonacich, 1988; Jurik, 2005; Sequeira & Rasheed, 2006; Wang & Warn, 2018). While not every respondent experienced autonomy from business ownership, most respondents held onto the wish. Clearly, the desire for financial independence motivated Chinese immigrants to become business owners as they realized financial independence could indirectly lead to the autonomy of business management and improve their life style.

**The Job Market Versus Ownership.** Besides financial and management freedom, the limited opportunities through working for others were reported by four respondents as their major motivation for starting a business. Respondents with less resources, such as a college degree, found that it was easier to start their business than to obtain a job from the local job market. Respondents Fang and Lee claimed that their reason for starting a business in the restaurant and food-related business was a result of the barriers they faced as new immigrants. As immigrants, they often encountered situations where their cultural and human capital were useless when competing for work in their new country (Bates, Bradford & Seamans 2018; Light & Bonacich, 1988). The informal observations indicated that Chinese small business owners generally started a business with a lower entry threshold. For instance, Fang and her husband owned several businesses including a motel and two buffet restaurants. Although she complained about the low profit from the buffets, she still decided to open more buffet restaurants. She commented further:



When Chinese come to the United States, most of them are lacking education. Many come from Chinese villages. These Chinese villagers save every penny from their work, but they can't enter the U.S. mainstream society and can't find a decent job. Thus, the only hope for them is to open their own restaurant. A restaurant is easy to operate, I mean easy to start the business, but now the profit is not as much as before. Many first-generation Chinese choose to get involved in the restaurant business. For the second and following generations, it is different. They, due to going to local schools learn English and American culture, can become doctors, lawyers, or accountants. The first generations are the stepping stone. (Translated from Chinese.)

She clearly pointed out that it was difficult for Chinese immigrants to break into the U.S. mainstream society and find a decent job. Even though she did not enjoy the restaurant work. The safest way ahead for her was to use her limited human capital. These respondents hoped that through hard work their children would obtain upward mobility, not in their current business, but hopefully in a professional career. Indeed, Fang said she did not want her children to take over the business because the restaurant business requires long working hours, and the intensive labor does not make enough profit. Children of Asian business owners have less tendency to pursue business ownership than other minority groups in the United States (Bates, Bradford & Seamans 2018). In addition, the restaurant business was owned by Fang's husband's family, and she felt that she was kept outside the core of decision-making management. Consequently, she hoped to enter the real estate industry, but because of her poor English the real estate license requirement was a huge challenge.

The common themes of making money and supporting the family were often reiterated by the respondents, but those who had fewer resources at the outset of their business said that they only hoped to survive because of the lack of job opportunities. One example was the case for respondent Ning who had an elementary school education and was smuggled into the United States 20 years ago. His first job was low-level work in the restaurant industry. As many other Chinese entrepreneurs, he saved enough money and started his own restaurant. Seven years ago, his friend told him that there was a business opportunity in Phoenix, so he flew from New York and relocated in Phoenix to start a business as a food wholesaler. Compared to the better resourced respondents, Ning experienced a more difficult situation because of his lack of finances and human capital. Now in his late 30s, he claimed that he had “*no dreams*<sup>9</sup>” which implied that he had no fantasy about life. He came into the United States illegally, and this left him little choice in the labor market. He could not take a legal job. He said:

There is no such a business that we must do or not do. We do whatever businesses when the chance comes . . . when you work in a restaurant you have no way [to do something else]. You can only do restaurant businesses because you only have this experience. Restaurant [business] makes the fastest money. (Translated from Chinese.)

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<sup>9</sup> The word “dream” in Chinese was applied during the interview to open the possibility for respondents to elaborate their business and personal desires. Therefore, this term throughout their interviews included their goals and motivations.

Like Fang who used *only hope* to explain their motivation to start a business, Ning utilized similar terms *no way* and *no choice* during his interview to demonstrate his lack of opportunities in the legal job market. Both terms expressed the reality that Chinese immigrants faced a disadvantaged position in the host country's labor market. This drawback of nontransferable human capital is a common phenomenon among immigrants (Bates, Bradford & Seamans 2018; Light & Bonacich, 1988; Menjivar, 2000; Romero & Valdez, 2016; Sequeira & Rasheed, 2006; Valdez, 2011, 2016; Wang & Warn, 2018).

Another example is Yong, the owner of a private Chinese school. When she first came to the United States, she said "I knew nothing about English" (Translated from Chinese). Without the necessary language skills and without a U.S. educational background, the only job she could do was as a stay-at-home-mom. She bitterly expressed that "I had no dreams anymore" (Translated from Chinese) other than to take care her children at home. After her husband's established his career, she obtained financial support from her family. With her volunteer experience in the local Chinese community, she used her Chinese skills to open a Chinese school for art and language. Portes and Rumbaut (2001, 2006) showed that in the stratified American labor market immigrants were confronted with a prejudicial attitude such as anti-immigration prejudice. The value of their human capital was also undervalued and would only be compensated in low- or no-skill, labor-intensive sectors. As this section demonstrates the second main reason for the respondents starting their own business was due to their experiences of their skill being undervalued and immigration prejudice. Besides of the financial and management freedom and the disadvantaged situation in the local job

market, social connections played a significant role in motivating entrepreneurship for Chinese immigrants.

**Social Capital Influences Decision Making.** The third main motivation to open a business for Chinese immigrants was the availability of social capital, especially having strong ties to family. Besides the desire for financial freedom and autonomy and the lack of opportunities in the local labor market, seven respondents entered the business due to a key personal relationship. Family members, especially those in business or with business knowledge, tended to play an important role in motivating immigrants to start a business (Aldrich & Cliff, 2003). In Fang's case, marriage was the trigger that introduced the respondent to the current business. Before her marriage, Fang had no business background and learned all the needed business skills from her spouse:

I got involved in this business because of my marriage. My husband brought me into this business. Before, I worked for an American company. Because of my marriage, I tried to do my best in this business. I was never involved in business before. I was a teacher in China, and I never could have imagined myself opening a restaurant. Even later when I came to the United States, I never got involved in business. (Translated from Chinese.)

The respondents' cultural and human capital from China were almost useless in obtaining a good job. However, their social capital as Chinese immigrants offered opportunities to them for starting a business and helped determine the type of business they started, as shown in other immigration entrepreneur research such as Light and Bonacich (1988), Portes and Bach (1985), Sequeira and Rasheed (2006), Valdez (2011,

2016), and Wang and Warn (2018). This career choice was also available to Respondent Lee.

Lee and her husband were popular Chinese restaurant owners in Phoenix. She was in her 60s and had 32 years' experience in the restaurant industry. Unlike Fang who did not have a business background when she started her business, Lee had a college degree from Hong Kong (H.K.) and managed a school there. Her husband was a partner in another business in H.K. That meant both were equipped with management and entrepreneurial experience before emigrating. They moved to the United States under the family immigration policy for their children's' education because they could not afford to send four children to college in H.K. They sold their business in H.K., and because of a health issue they moved to Phoenix and worked in her sister's restaurant to learn the business. With this experience, they opened a small buffet in Avondale and then opened their current and very successful restaurant. Family ties helped to shape their incentive for the type of business Lee formed. Further, she credited her impetus for business as follows:

When we first immigrated here, my husband's and my English were not very good . . . my husband told me that you won't have too many choices in the United States and you are going to either open a market, a laundry, or a restaurant, so you better learn something. So, since my brother-in-law already had a restaurant, it gave us the opportunity to work and learn. (Translated from Chinese.)

Although Lee and her husband had a business background in Hong Kong, they had no knowledge about the restaurant business. Fortunately, because of their tactic of using

their social capital by working at Lee's sister's restaurant, they became encouraged and gained enough knowledge to open a business of their own.

Another example was Wei who was in the 60- to 70-year-old age group and was persuaded by the successful entrepreneurial experience his son had. His son worked for IBM for five years. Since Wei's son wanted to be autonomous, he quit his job at IBM and started his own business. During his initial three months he did not obtain any business deals. Determined, he rejected the thought of going back to work for a company. This decision outraged his family and the family almost threw him out. Fortunately, the son had developed an online teaching business and generated a good income. Most importantly, he obtained autonomy. He now could take a three-month vacation anytime he wanted. As a result, the son successfully persuaded his mother and father to quit their jobs and started their own business. In Wei's case, the powerful influence of his son's successful entrepreneurship experience inspired and motivated the whole family to quit their salaried jobs and start their own businesses.

Besides family, friends were another source of motivation for immigrants to start a business. Friends often provided valuable business information and a business concept. For example, as introduced previously, Respondent Ning was motivated by his friend to start a business in Phoenix. Similarly, this situation also happened to respondent Lao, an Asian grocery store owner. He closed his business in Atlanta and came to Phoenix to check out a business opportunity his friend had referred him to. When faced with uncertainty, strong ties established a foundation of trust for individuals that reduced the resistance and provided comfort to their decisions (Krackhardt, 1992).

**Social & Human Capital and Business Opportunities Shape Location.** Only two of the respondents were motivated to come to Phoenix for business opportunities, while seven settled in this area due to family relationships and chain migration. Subsequently, the location of their sponsors determined their first choice where to relocate and start their business near their established social connections. For instance, because of family ties, Lu's aunt brought his family to Phoenix through family chain immigration. Even though Lu had the opportunity to open his business in other cities, he still chose to settle in Phoenix because of family ties. After Lu's family settled down, he built his social connections there and then started his business.

These respondents were first generation immigrants. The average years in the United States ranged from 25 to 35 years. Fortunately, unlike the earlier immigration groups who experienced racial discrimination and scapegoating, these more recent Chinese immigrants tended to have more education and specialized training (Li, 2009). One might assume that these newcomers would have more choices in selecting their settlement locations. However, from my respondents' interviews, it was ascertained that Phoenix did attract Chinese entrepreneurs for business opportunities, but most of the respondents settled in this area because of the availability of social and financial support from their local familial connections. Clearly, the choice of their business location followed where their kindship was located.

When Chinese immigrant small business owners encountered prejudice in the local job market, their social connections from family and friends provided essential support to overcome this issue by helping them open their own business. This finding reflected Granovetter's (1982) point of view that strong ties tend to be more useful to

those in an insecure position. Strong ties created trust for those business owners who encountered a situation in uncertain social and business environments. These social connections helped Chinese small business owners obtain basic business training, financial support, and access to business information.

## **MARKETS AND BARRIERS**

Generally, immigrant businesses tended to face structural barriers or external barriers such as family problems, transportation barriers, and discrimination issues (Jurik, 2005; Valdez, 2011, 2016; Wang & Warn, 2018). From respondent interviews the three main issues for Chinese small business owners were financial resources, unrecognized human capital, and system and cultural barriers. This section includes difficulties arising from emergent issues and dilemmas and focuses on the first research question that addresses the barriers that immigrant small business owners encounter. Indeed, the same structural barriers and conditions that shaped their business motivations also shaped their business strategies. To understand more clearly the barriers and issues they encountered, the following section includes the markets the respondents embedded in.

**The Mainstream Society/Market.** In the interviews, respondents stated that they were confronted by various kinds of oppression and endured an obvious sense of privilege from the mainstream American society and in the markets. One example was the lack of respect for the Chinese culture. Just as Valdez (2011, 2016) observed, “White supremacy” dominates the American market. Lao stated that most Chinese events, such as the Chinese Lunar New Year dinner celebration in Phoenix, had an opening Christian prayer. He felt this prayer was discriminatory in respect to his beliefs. He stated:



The prayer ceremony, well, I don't mean to pray is a bad thing, but in the Chinese event, many Chinese are not Christian, so we need to respect each other's religion. Is that right? We need mutual respect. You can have your ceremony. If people in your organization all share the same religion, we respect you and you can pray. However, many Chinese, worshiped Guangong [a Chinese religion], and Guangong is their tradition. How can you forget your ancestors and follow others to pray [to Jesus]? (Translated from Chinese.)

Besides the culture and language barriers, he spoke about the inequity he experienced with non-Chinese groups and his strategy in dealing with them. Lu said that he had trust issues with Americans, "I think a lot of Americans will lie to me. Therefore, I must use my judgment to make sure I don't get scammed." (Translated from Chinese.) Ironically, even though most of my respondents often felt marginalized by the mainstream market, four still considered themselves to be in the mainstream market. In Lu's case, even though he experienced trust issue with non-Chinese Americans, he still considered himself to be connected to the mainstream market adequately because he was in the service industry.

When discussing their social ties, seven respondents claimed that the American connections were important for their business even though they had limited connections with the American mainstream society. This situation occurred because they encountered language and culture impediments with Americans, and my respondents' social relations were mainly Asian/Chinese. For instance, Fang stated that she joined the Peoria Chamber of Commerce. She tried very hard to join the "White" political circle, and she said that the Peoria Chamber of Commerce (PCC) represents the American mainstream. She

focused on this organization to learn American business skills and tried to break into their social networks to obtain financial support. Later, she quit the PCC because, “it sucked up too much of my time and energy. A person has limited energy, and it is hard to get involve in too many things.” (Translated from Chinese.)

In the study, respondents held a positive perception of the American market’s ability to expand their business and market size, to obtain financial resources, and to attract investors. But contrary to Valdez (2011, 2016), the term *American* that respondents referred to was limited not only to Caucasians, but also included other non-Asian race groups such as Hispanics. Even though they were also marginalized from the American mainstream market, seven of my respondents claimed that there were no disadvantages from the non-Asian ties. Interestingly, during the conversation seven respondents who spoke in Chinese used *We* when describing Chinese and Asians and used *Guilao* (a derogatory term for foreigners in Cantonese) or *Laowai* (a term for foreigners in Mandarin) to refer to all non-Chinese groups. Even though three respondents claimed that the Chinese community did not help their business, eight respondents were heavily involved within the Chinese circle. When embedding in such a disadvantaged market, Chinese small business owners encountered dilemmas and barriers and developed business strategies to survive in their new environment.

**Barriers/Dilemmas and Negative Sides of Social Capital.** The pre-existing disadvantages inherent to immigrant small businesses, such as limited financial resources, language barriers, and culture obstacles, caused respondents to change plans and to develop approaches aimed at resolving these issues. For instance, Lao, the Asian supermarket owner, had a goal to open an 80,000-square foot supermarket that carried

Asian and Western items, but lacked the ability to obtain financing from financial institutions. Consequently, Lao changed his plan and tried to partner with his old friends living in other states, thus using his social capital to obtain the necessary financing.

Cultural barriers created trust issues for Chinese small business owners. Because of the cultural and social system's difference, there was a trust issue between Chinese small business owners and the American society. As Lu's distrust of the non-Chinese relationships which were discussed previously, the trust issue was implied in a subtle way by other respondents. This issue constantly appeared as discussed when the respondents used the word "they" or "guilao"/ "laowai" to refer to non-Chinese groups and used "we" for Chinese groups during interviews. These cultural barriers resulted in limiting the Chinese speaking respondent's ability to move outside the Chinese community and resulted in their isolation from the general American society.

Besides the aforementioned pre-existing barriers within the embedded market, there were additional issues and dilemmas to deal with. When small businesses utilized social capital to help to overcome the insufficiency of market and government capital, new problems arose. Respondents complained frequently about three negative consequences associated with social capital: the excessive time, energy, and money required to maintain social relations. Five respondents expounded about this exasperating situation. For example, Lao said, "for Chinese, they are quite cliquish, but just because of that, I feel it is a burden." (Translated from Chinese.) Because of the cliquishness, he had to treat every Chinese organization the same. He had to attend every Chinese social event and make donations. Lee stated that she and her husband tried to avoid joining Chinese associations:

We tried to avoid joining them [Chinese associations], especially the political ones that represents a certain country or faction, such as Taiwan, mainland China, and H.K. I think as a business owner that you shouldn't take any specific side. This action will affect your business a lot if you support a specific party. So, we try to stay away from those groups. But if they ask for a donation, we will give them money. If you are a member, you need to give much more. So how can you manage those issues? We have to put ads in every newspaper in town to balance the relationships, so we spend a lot of money on ads. Another huge expense is dinner parties, even though we don't have to pay, we still have to give gifts. Even if you don't go you still have to send a gift. (Translated from Chinese.)

Because of the tightly-knit Chinese community, it was difficult for business owners to balance their relationships among the different community groups. Further, due to limited resources, Chinese immigrants needed to utilize their social capital to support each other as discussed and created "*Renqingzhai*" or human emotional debt. Just like Lee said, she felt obligated to put ads on every Chinese newspaper and to contribute money to social events in town. Fang also felt the same burden. After she was elected as a community leader, she felt obligated to treat people who voted for her to meals or at least give them a discount at her restaurant. Consequently, she believed that her social connections with the Chinese community impeded her business development. When Chinese small business owners received benefits from the Chinese community, they felt they owed the person or organization a favor. This favor became a burden associated with developing connections within Chinese communities.

Like other Chinese entrepreneurs who benefited from social connections with the community, Lee also encountered an ironic situation. Her business benefited from their good reputation and became one of the most popular Chinese restaurants in town. When she tried to sell her business and prepared to retire, her good social connections became an obstacle. Investors believed that her great social connections with the local Chinese community contributed to her business success, and without her and her husband, a new owner would fail. They knew because she and her husband were so close to the Chinese community that this relationship brought business opportunities and clients because Lee's restaurant hosted banquets and parties. Consequently, she and her husband spent years searching for someone to buy them out and Lee and her husband had to agree to stay on until the new management developed their own social connections.

While Fang strived to expand her social capital by volunteer work and filling leadership roles in the community, she encountered a backlash from other Chinese small business owners such as envy and vicious competition. Fang claimed her competitors persuaded their friends not to dine at her restaurant. Thus, she believed that her social status impeded her business, and revealed that the most negative impact from her social connections was envy: "after I became a community leader, it didn't have the expected positive impact to my business." (Translated from Chinese.) This envy issue also happened to Yong. Yong was not a community leader, but Yong was a social leader. Her school organized many social events every year, thus she obtained attention from the local Chinese community. Probably because of that, she revealed that she encountered envy:

You have no idea when you will get involved in other people's conflicts... if you offer a little extra help to some people, others may be disgruntled and judge you badly. It's really annoying. You know, the Chinese character just typically fights amongst each other [she used the Chinese term “窝里斗”]. No matter how hard you try, you can never escape from those conflicts unless you treat everyone the same. For our business, which is closely connected with the community – you can never avoid these conflicts. Well... for some Chinese, they always use jealousy against you, and jealousy is a bad habit for Chinese. (Translated from Chinese.)

Furthermore, Fang experienced additional envy from her male counterparts. When she was the vice president of the Chinese community a few years ago, she felt that she needed to put in more effort and time than her male competitors to reach the position of president. She said:

At the beginning they [male leaders] could not accept me and they saw me as their enemy, because I am a young woman and I do better than they did. So, they spread negative rumors against me...for them it was difficult to balance their heart [jealousy]. They didn't know how to treat me. They were not sure to treat me like a man or a woman. (Translated from Chinese.)

Another conflict found in the Chinese community was the trust issue among co-ethnic ties. If an immigrant has not established the business connections within the ethnic community, the most likely way to access resources in the ethnic community was to work for a co-ethnic employer (Light & Bonacich, 1988; Sequeira & Rasheed, 2006). Employers provided training and social and/or financial support for co-ethnic employees

to become self-employed (Portes & Bach, 1985; Sequeira & Rasheed, 2006). This negative outcome of social capital happened to Fang. A new immigrant was hired to work in Fang's restaurant, and very soon they became close friends. After learning that her new friend also wanted to be an entrepreneur, Fang trained her to operate a restaurant business. She also provided financial support for her, and eventually they co-owned a Chinese restaurant. However, as soon as her friend acquired the management knowledge, skills, and sufficient social and financial support, she opened a new restaurant near Fang's. Fang felt betrayed as her friend began to compete viciously. Consequently, she warned that it was wise not to do business with friends or family. She said the reason not to do business with friends was:

Because there are two essential elements to run a business, finance and the power of management [being the boss]. With friends [and family], it will be very easy to bring up conflicts. First is finance, when the friendship is not that strong, it can bring problems. For the power of management, when you and your friend fight for this power, you will lose your friend. Very often, in business a friend may end up as an enemy, just because of running business together. I think that one should have their friends stay away from their business. (Translated from Chinese.)

Chinese small businesses were embedded within those barriers and issues, and these heavily influenced their market capacity to perform in the American economy. When Chinese small business owners used social capital to overcome barriers from the local market and their disadvantaged human capital, new issues also arose. To study the three research questions further and how Chinese small business owners overcome those barriers, a discussion of Chinese small business owners' strategies is important. The next

section includes these strategies of relating financial resources, social capital and governmental programs.

## **BUSINESS STRATEGIES FOR OVERCOMING BARRIERS**

To answer the research questions: how social networks provide help for immigrant small business owners and what social connections provide help for immigrant small business owners to overcome barriers, it was necessary to understand the market, Chinese small business owners' advantages and disadvantages, and their strategies to overcome disadvantaged situations. Certainly, the goals of the Chinese small business owners who were interviewed were diverse. Most respondents revealed that their business goals were to expand the business size or make more money. They recognized that there were diverse and dynamic strategies that individual entrepreneurs needed to apply and that their tactics and actions were dependent on the specific local market. With this in mind, the immigrant Chinese small business owners were able to use their financial, social, and minimal governmental support to break into the local market.

The respondents revealed different perspectives for their immigrant American dreams<sup>10</sup>. Five respondents discussed their so-called *American dreams* which focused on two objectives: a better educational opportunity (for themselves or their children) and being successful in business while others just wanted to survive or refused to discuss this subject by stating that they had no dreams as discussed previously. The following section

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<sup>10</sup> Clark (2003) summarized the immigrants' American dream: to join the middle class, to own a house and a car, and having their children to finish a college education.



demonstrates their strategies by analyzing their financial, social, and government resources.

**Immigrant Entrepreneurs' Strategies.** Immigrant small businesses confront various market disadvantages. Valdez's market capacity is a preferred way to indicate those issues because they included most factors vital to small business development. Market capacity encompasses the sum of market, social, and government capital (Valdez, 2011). The following section will apply three capital concepts to demonstrate how Chinese small business utilizes the limited resources they possessed to overcome market disadvantages.

***Strategy for Market Capital.*** Personal savings and bank loans are different forms of market capital and provided the means for Chinese small businesses to obtain financial resources. Predictively, four respondents strategized to use funds that came from family, and five respondents used their personal savings to start their business. At the start-up stage, funds from family savings were the most common and indeed vital. After that, the next strategy was to use the banks. Once their businesses were successfully established, bank loans played an important role in the enterprises' development, and six respondents utilized bank loans to expand their business.

Table 4

*Financial Capital in Phoenix*

Financial Capital	Number of Respondents*	Percentage of usage (%)
Personal savings	5	56
Family/friend loans	4	44
Bank loan	6	67
Property (sold, refinanced)	1	11
Credit cards, credit line	0	/
Investors	0	/

\*(Total 9 respondents used multiple strategies)

It should be noted, in the small business start-up stage, bank loans were generally not an option. Small business owners had no credit history, no leverage or collateral to secure a bank loan. For instance, Ning, a food wholesaler who was originally smuggled into the United States and later obtained legal identity, now owned a business that had grown to around 50 employees. He started as a low-level laborer in Chinese restaurants and saved every penny he made for his future business. He had trouble when applying for a bank loan:

No one [bank] wants to loan you money. What can you use as leverage? What can you use to apply for a loan [without leverage]? It is quite normal here. The banking system is not like in the China mainland: if you have relationships, you can get a loan from the bank. (Translated from Chinese.)

The strategy he used was to access financial resources from his personal savings. As mentioned, Ning arrived in the United States undocumented. He did not have strong financial support to open his own business. After he saved enough money, he opened a restaurant. He ran the restaurant for eight to nine years and continued saving. With his own savings, he changed his business and became a food wholesaler. After his business grew to a decent size (30-40 employees) and his business was profitable, local American bankers stepped in and wanted to loan him money to help his business expand. Ning also realized how his banking situation had changed, he stated:

The banking system is different in here. Here in the United States, lenders need to see your reputation and your leverage. Now we have loans. Now the situation turns around, so the banks came to us and wanted to give us loans. (Translated from Chinese.)

During the start-up stage, most immigrant small business owners did not have successful financial histories to present to the banker for obtaining a loan. As Yong, the Chinese private school owner, stated:

It's very difficult to apply for that [a loan]. You must have previous loan or taxation records. The loan won't be approved if you just want to start a school or a company without previous records . . . You must prove that you have done something successfully with your account records, or they won't accept your application. What if your business fails and you are unable to pay back your loans? (Translated from Chinese.)

For Yong to overcome the financial disadvantage, Yong's business strategy was to use her own personal savings and her social capital. She found three other business

partners. The four of them started the business, and each contributed \$20,000 from their own pockets to rent and renovate the new facility. Later, they found their funds were not sufficient, and each added another \$10,000 from their savings. Today, their funds to run the school come mainly from donations from the local Chinese community's business profits.

Among the six who obtained bank loans, two respondents obtained loans from the Asian Bank of Arizona. At that time, the Asian Bank of Arizona was also a new business just opening in the Chinese Culture Center, and it struggled for business to survive. Lao, an Asian grocery store owner in his 60s, told the story:

At that time in the Chinese Cultural Center, the newly formed Asian Bank helped me with a loan... They [the Asian Bank] also needed business. We both opened at almost the same time. At that time, my business probably would not qualify for the loan, but because they wanted the business, so they gave us the credit.

(Translated from Chinese.)

Lao's business financial strategy was to utilize the Asian Bank of Arizona who needed to attract potential customers and establish their business in the Phoenix market. It was a win-win situation for the Asian Bank of Arizona to work with local Chinese small business owners.

In the other four cases, business owners found they could obtain loans after their business developed successfully and had accumulated some collateral. Respondents who had a better human capital background tended to have more options to access various market capital resources. For instance, Ming, the medical doctor, used his own savings plus bank loans for his start-up funds. It was not difficult for him to obtain loans because

he had his doctor's credentials, "so by that time, since I'm a doctor, people (banks) are lending me whatever they think I'm at risk for."

The study revealed that financial support from family and friends was still the most useful strategy to compensate for the shortage of funds during the start-up stage, and business owners with professional backgrounds tended to have more accessibility to as bank loans. Only when a firm showed profitability did bank loans play a vital role in business development. This role profitability is also reflected in their use of social capital.

**Social Capital as Part of Business Strategy.** The reciprocity relationship between entrepreneurs and their social relationships constitutes the secondary form of economic exchange in the American economy, and social capital allows group members to access economic and social resources (Kariv, Menzies, Brenner & Filion, 2009; Sequeira & Rasheed, 2006; Valdez, 2011; Wang & Warn, 2018). This discussion on social capital explains how small business owners use social connections to break into different markets, how these social connections help Chinese small business owners access resources, and how these entrepreneurs incorporate business opportunities into their business strategies.

***Family and Friend Ties.*** As discussed, family ties were vital for Chinese small businesses. These ties not only provided a solid financial foundation at the start-up stage, but they also offered affordable labor to develop their business. Friends were another important financial resource and could provide additional business advantages. As Aldrich and Cliff (2003), Aygoren and Nordqvist (2015), Light and Bonacich (1988), Sequeira & Rasheed (2006) and Valdez (2011) discussed, family members often became the most accessible labor for immigrant small businesses. Even though family labor

received little or no-pay, only one respondent stated that her family labor was exhausted and refused to work in the business.

Seven of the respondents' family members, such as Lee's family, worked for their businesses part-time or full-time. Not only did Lee and her husband work in the restaurant, but her four children also worked there after school and without pay in an effort to overcome labor shortages. As an immigrant small business owner, they lacked enough funds to pay any other labor force. Business owners in the professional industry also had family members work for them. For example, Ming's son who obtained his medical degree worked for Ming and later became Ming's business partner. Family members were able to work in the business because they kept labor costs low, and the family-based social capital, a strong tie, was trustworthy (Aldrich & Cliff, 2003; Krackhardt, 1992).

The relationship with friends, another strong tie, was incorporated into respondents' business plans because this relationship was also trustworthy. Chinese small business owners who were marginalized by the difficulty of accessing business information from the mainstream market had to obtain information from accessible, trustworthy friends. For instance, as mentioned before, eight of the respondents stated during the interviews that they received helpful business information from friends such as Ning. Additionally, when Lu initially opened his business, he could not qualify for a loan. However, one of his old customers and friend co-signed for Lu to obtain a loan from the bank.

The most important types of social capital are local connections like clients, suppliers, bankers, local media, personal acquaintances, friends, associations and

agencies (see Table 5). Those respondents who claimed that the weak ties were more important also admitted that accumulating trust in weak ties took time. All the respondents stated that they needed a strong tie as a reference to build the trust needed for market information.

Table 5

*Most Important Social Connections*

Most Important Social Connections	Number of Respondents
Family & Friends	8
Local connections (clients, suppliers, bankers, media, etc.)	7
Associations/Agency	1

Indeed, when a weak tie produced economic benefits, quite possibly that tie would grow into a strong tie. At the same time, when a strong tie could not offer social, economic, or emotional benefits, that tie tended to lose its value and might change to a weak tie (Menjivar, 2000). As Krackhardt (1992) pointed out, many methods could be used to measure strong or weak ties. Among the respondent interviews strong ties were the connections that could produce economic, social, and emotional benefits. Especially in an insecure environment, immigrant small business owners tended to circle around strong ties and use those to authenticate weak ties. “Strong ties, therefore, may be the factor that facilitates a successful start-up and sustains the immigrant-owned business” (Sequeira & Rasheed, 2006, p. 364).

***Ethnic Community.*** In the Phoenix metropolitan area, Mesa, Chandler, Gilbert, and Tempe are popular locations for Chinese immigrants to settle. The local Chinese community also grew along with Arizona's increasing population. From the interviews, Chinese small business owners utilized the local Chinese community in their business strategy to recruit a Chinese labor force and to build a customer base. The ethnic community provided critical support including the following four elements for Chinese small businesses: (a) primary market, (b) main financial resources, (c) source of employees, and (d) social interaction.

The Chinese community continues to provide vital resources to the respondents, especially the local businesses such as restaurants, food distributors, and grocery stores. Five businesses recruited mostly Chinese employees (Table 6). In the Chinese restaurant businesses, the most important employees were the Chinese chefs followed by managers, cashiers, and servers. The Chinese community was a vital resource in finding the qualified personnel for those key positions. Chinese labor tends to be more critical for the Chinese restaurant industry. Their niche market is serving the Chinese/Asian market, so it is important that their employees could speak Chinese since they serve Chinese-speaking clients.



Table 6

*Ethnic Employment Demographics*

Employment	Number of Respondents
Businesses with all Chinese/Asian employees	2
Businesses with mixed employees	/
Majority were Chinese	3
Majority were non-Chinese	3
Non-Chinese employees	1

Because of the need for Chinese labor and clients, six of the respondents marketed heavily within the Chinese communities. Marketing included newspaper advertising and event promotions. The four main Chinese language newspapers that post the social events in the Chinese community are: *Arizona Chinese News*, *Next Weekly*, *Yes! Magazine*, and *AmWest Chinese Post*. Those newspapers and the event organizations are closely tied to local Chinese businesses. Just as Yong, the owner of the Chinese private school, said, the support from the local Chinese community was an important business strategy to sustain her business:

It is critical for our business that the local organizations and individuals beyond the Chinese community donate to our performances. Without these donations, if we only depend on tuition, we would not be able to maintain our business. Some sponsors want to market their reputation to show that they are supporting the Chinese culture; most sponsors want to publicize their businesses, such as real

estate, tax preparation, or law firms, by advertising their organizations in our performance program pamphlet. (Translated from Chinese.)

The Chinese community has heavily affected Chinese small business owners' lives. For example, Fang found it difficult to make a fair profit from her Chinese clients. To solve this dilemma, she revised her marketing plan to appeal to the general public (non-Chinese groups). However, she continued to use the Chinese community to recruit employees. At the same time, she remained deeply involved in the Chinese community politics and social events, giving her social status in the Chinese community. Utilizing this strategy, she gained visibility and credibility from the local mainstream market, and that gave her an access to potential social business resources.

Interestingly, the professional businesses had different requirement strategies for their workers. They needed well-trained professional labor to support their clients, and those industries were not limited to serve only the Chinese community. Positions in medical, construction, and legal service industries typically do not to rely on the Chinese community for employees. Whereas the professional businesses tended not to build strong ties with the local Chinese community for business purposes, but they assuredly became involved in the Chinese community for social and emotional satisfaction. For instance, Ming, the medical doctor, and Wei, a construction company owner, were deeply involved in various Chinese social events as sponsors, judges, and guests to acquire social satisfaction, but their clients were from the mainstream market. The data from my respondents supported and reflected the findings from Ndofor and Priem (2011). Two strategies could make immigrant entrepreneurs be successful: (a) the enclave strategy that requires a high social capital and strong ties within ethnic community, and (b) the

dominant market strategy that requires high financial resources, human capital, and weak ties outside the ethnic enclave.

***Professional Connections.*** The professional connections develop breakout strategies for Chinese immigrant business owners to launch into different markets (Wang & Warn, 2018). Professional connections were important for three respondents in the professional fields: legal, medical, and construction contracting. These three businesses did not need to market themselves in the Chinese community. Instead, they depended more on mainstream professional organizations.

Wei, the owner of a construction company, worked for another construction company for more than 10 years. When he started his own business, his strategy was to receive substantial help from the Procurement Technical Assistance Centers (PTACs). PTAC's initial goal was to help Native Americans. With success three years ago, they also started to support other ethnicities. Part of Wei's business strategy was relying on the free project information the PTAC's manager sent out every day. Later, Wei developed a friendship with this manager. Wei stated that he used PTAC's help at the startup phase of his business. His limited startup funds were from his savings but, he needed additional financial support. Because of the difficulty in obtaining loans, he sought help from the PTAC. Utilizing his relationship with the PTAC manager, Wei was put in touch with a loan officer in Mesa who in turn offered the loan.

Professional connections were valuable resources for small business owners to branch out into the mainstream market. Interestingly, those businesses not in the professional industries also strategized to connect with local professional groups. For example, Fang stated she benefited from the Peoria Chamber of Commerce (PCC). For

Fang, the organization provided the business training she lacked. Through PCC she promoted her business on their website and their newspaper. More importantly, she connected with local non-Chinese businesses through PCC's networking. She planned to use her new skills to expand her business and at the same time reinforce her social status in the Chinese community. During the interview as a restaurant owner, she admitted that the PCC did not help her business that much, so she quit. Still, she stated that she continued to look for other professional groups that she could join and would utilize those groups in her business strategy for reaching out to investors, exploring potential new clients, and looking for other business opportunities.

In fact, professional networking was not limited to just local connections. The respondents joined regional, national, and transnational organizations. This action greatly expanded the scope and accessibility of social networks of small business owners. Thus, as part of their business strategy, professional connections were as important as bridging social capital for Chinese small business owners in breaking out from the local community and connecting with a larger market.

***Cross Regional Ties and People from the Same Village (Tongxiang<sup>11</sup>)***. Most of respondents claimed that the local social connections were the most important business connections. The regional ties for a Chinese grocery store and restaurants that cross state lines, such as ties from Chinese food suppliers from New York, also proved valuable strategies. As mentioned, Phoenix is still a relatively new metropolitan area for Chinese

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<sup>11</sup> *Tongxiang* is a Chinese term for countrymen who came from the same region.

immigrants. Many suppliers and skilled workers came in the past from regions with larger Chinese populations such as Los Angeles. Three of the respondents' suppliers came from regional ties, and three had more distant regional business partners across states.

Two respondents stated that they teamed up with trustworthy people who came from their same town in China as their business strategy to expand their business across different states. Ning, from Fujian province in China, stated that the connection with fellow Fujianese expatriates located in different states within the United States was vital for his business. Ning's business was small, so to expand he and three other Fujianese tactically merged their firms and became the largest Asian food wholesale supplier on the West Coast. Because of this strategy, they could obtain better prices from vendors and soon monopolized their market.

Ning declared that since Fujianese came from the same region and shared similar social characteristics, they shared such common characteristics as hard working and family values. The Fujianese business owners worked together and gained competitive advantages for themselves. He used this Fujianese strategy to take over the market, "we keep our prices low and accept small profits on individual items, but the larger sales volumes make us more money. This idea is our Fujianese's basic value." (Translated from Chinese.) His next business plan was to cooperate with other Fujianese and monopolize the buffet restaurant business, "If Fujianeses stick together, *Laowai* [Americans] will be afraid." (Translated from Chinese.)

A similar social connection is that of a clan. In this case, the power of *Tongxiang* is not limited to certain family names or blood ties, but also it broadens the strong ties of

the familial Clan (the family related social ties) to ties based on geographic similarities. The *Tongxiang* connection shares the same culture, dialect, and social background, and sometimes their social relations might intertwine. It tends to create trust in business based on identity recognition.

***Transnational Ties.*** In this study, all the respondents had transnational connections, but only three, Ming, Ning, and Fang, used transnational connections as part of their business strategy to developed businesses. Ming, worked with a Chinese company selling American medical equipment to China, and provided training for Chinese doctors. Because of Ming's human capital as a medical doctor, he claimed that his transnational business strategy was the result of China wanting to learn his special medical techniques. He said:

I saw the need for what I offered in China, and I took that need and opened a business or support businesses that would help develop that need and so that the people in China would come to me to learn or they will buy my product to get ahead.

Ming used human capital from his medical profession to attract Chinese investors and transnational ties.

Fang intended to target the market in China and tried to develop clients there. Last year, Fang's plan was to obtain a real estate license and to use transnational ties for her new real estate business. Both Ming and Fang admitted that the most important social connections were still local relationships. Other business owners had personal transnational ties, and some were searching for business opportunities with China.

Because of their business size and their limited financial assets, they had difficulty in developing those personal connections into business ties.

The findings revealed that the local connections were the most important element in the Chinese entrepreneurs' business strategy. Local connections helped business owners to access financial resources, loyal clients, and employees. From the interviews, strong ties were vital during the start-up stage, and weak ties tended to function in expanding their market. Overall, the strong ties tended to be more important in this study. When weak ties produced economic profits, these ties often turned into strong ties, and business owners preferred to use strong ties to verify the information that weak ties provided.

**Government Capital.** Regarding market capital and social capital, federal and state-sponsored resources might advance qualified members in the market economy. Those resources are called government capital (Valdez, 2011). This study only focused on governmental loans, subsidies, and governmental/social level training programs as the main components for government capital. Government aid could be a helpful resource for training and loan programs for immigrant small businesses during their start-up phase when they planned their business strategies (Bates, Bradford & Seamans 2018; Jurik, 2005; Valdez, 2011). The strategy of utilizing government programs initially seemed a logical approach, however, the Chinese small business owners in this study found it was too complicated and time consuming to use. Only one respondent, Wei, put government capital in his business plan and benefited from it. Having the ability to speak English and the understanding of federal and state construction projects were valuable human capital.

With this advantage Wei's strategy was to bid only on government construction jobs and obtained loans from government agencies.

Many governmental programs, such as the Small Business Administration's Business Development Program, are intended to help small business owners. Six of the respondents claimed that it was impossible for an immigrant to utilize government capital because of the complicated application process. Firstly, the Chinese small business owners encountered the language barrier. Many Chinese immigrant small business owners did not have a good English language background. To apply for government funding, they had to hire people to help them to fill out all the required documents. This cost did not guarantee they would obtain government funding. Secondly, the business record keeping requirements was another issue. Just as the Chinese school owner, Yong, stated, without detailed loan or taxation records it was impossible for government agencies to accept their applications. Therefore, most respondents stated that they never considered government capital in their business plans. To avoid this cost and frustration, the respondents decided not to apply.

Government capital was difficult to utilize. As Chinese community leader, Fang stated that it was very difficult for Chinese small business owners to apply for government loans because immigrant small business owners were uncertain regarding paying back the loan. Moreover, many U.S. governmental programs aiming at helping minority businesses were poorly designed and administered (Bates, Bradford & Seamans 2018). Consequently, Chinese small businesses tended to use their social capital to overcome these difficulties.



Their strategy to overcome these barriers was to utilize strong ties to obtain start-up financial resources and business skills. Taking advantage of social capital was always a vital and effective backup plan when they encountered structural barriers in the local market, and it improved their market capacity. To further understand their business strategies and the influence of social capital on these businesses, it is important to investigate how the business objectives changed overtime and how owners evaluated business achievements.

### **SUCCESS THROUGH ECONOMIC AND SOCIAL CAPITAL**

This study investigated as to how certain social connections functioned in Chinese small business. Family and friends motivated Chinese entrepreneurs to start their business, and local connections played a vital role in developing their business strategy and overcoming various hurdles during business expansions. Ultimately, social capital helped Chinese entrepreneurs adjust their strategies and goals when faced with challenges caused by personal preferences, family needs, preexisting disadvantages of immigrants with small businesses, and the Chinese culture. With the passing of time, the most common reasons for goal changes were changes of life style, getting older, and their changing business expectations. Chinese small business owners utilized their business and social performance to measure their success. This section deals with the influence of social capital on Chinese small business owners' achievements.

To understand the first research question about issues and barriers that Chinese small business encountered and the embedded market, it is important to understand how they viewed their personal success and business success. Some respondents used business profits and business size to represent their business success, and some measured their

success by business survival or longevity as Valdez (2011) described in the discussion of lower-class utilization of indirect indicators. Valdez cautions, however, that business owners often define success in terms of the goals that they can best hope to achieve. Chinese small business owners applied economic, socioeconomic, and social indicators to define and measure their success. The respondents described their success from two perspectives: self-satisfaction and evaluations from others.

**Measurement of Success.** Those respondents who had the most limited job opportunities also expressed doubt about their potential business success. When using economic indicators, business owners would set an economic goal and used these goals to measure their success. Respondent business owners commonly employed this method. Some used social satisfaction, such as the autonomy of life style or social status. For example, Ming used self-satisfaction to illustrate his success, “you don’t have to be successful financially, you have to be happy at what you do, and you have to like what you are doing.” Respondents, like Yong the Chinese school owner, felt self-satisfied and categorized themselves as “successful”. She talked about her success:

Although my business is not very big, and I actually don’t make much money. I have been in this business almost 20 years, and I think I’m successful now because I have won the respect and appreciation from so many people, and I have devoted so much time in promoting Chinese culture. (Translated from Chinese).

As business owners, they understood that economic indicators were relevant measures of their success. However, social factors also showed a strong influence in measuring success. When the economic or social indicators fulfilled the Chinese entrepreneurs’ desires, they believed that they reach success (see Table 7). Chinese small

business owners often adopted other people's comments to measure their success. The sentence they used the most was, "from other people's eyes . . . my business was . . ."

Just as Ning stated: "You may think you are quite successful, but other people think you are a failure" (Translated from Chinese.) The definition of success contains multiple dimensions and various meanings, and Chinese entrepreneurs introduced other people's evaluation of their business as a reference to support their success. In fact, many business owners used other people's comments about their success to show their humbleness. The most common way was that they claimed that they were "not that successful," but they also stated that from other people's point of view they were a successful business owner. The phrase *not that successful* was delicate. Business owners used those words to show their humility, but their hope was to be thought of as outstanding, so when they used *not that successful*, sometimes this is followed by, "other people thought I am successful."

Table 7

*Are You Success/Failure*

Are You Successful?	Number of Respondents
Success	5
Failure/not success	3
No comment	1

**The Path to Success.** As Valdez (2011) pointed out, the making of economic progress was a vital indicator of entrepreneurial success. The main economic goals that equated to business success (Kloosterman, 2010; Valdez, 2011) were making money, or at least making more money than their wage-paying jobs and other indirect indicators of

business survivorship. In this study, business survival meant the business survived during an economic recession or survived with sufficient longevity to have attained financial autonomy and mobility. Five respondents utilized economic indicators to define their success.

Respondent Fang felt she was quite successful because she owned multiple restaurants and accumulated investment capital. Despite that, Fang said she did not want to say directly that she was successful. She stated that in other people's eyes she was a successful female entrepreneur. However, respondent Lu did not think he was successful because the size of his business had not reached his financial objective, and he had not realized his ambition of being free of the daily grind of management.

There were six respondents, Fang, Ming, Hong, Wei, Lee and Yong, who also applied social factors to define their business success. In fact, Fang used both economic and social factors to define her success. Even though Fang employed economic factors to represent her business success, she also said she was a successful woman because she successfully raised her children and provided them a good education. Moreover, she also claimed that her leadership in the Chinese community was a great achievement as a female entrepreneur. The social factors were as vital as economic factors, just as respondent Lee, the Chinese restaurant owner, talked about her success:

Other than being able to manage the business, one must also take good care of their family to be defined as successful. My husband not only stays at the restaurant every day, but also provides care to our family members as well.

Whenever our kids want to travel, he will find time to go with them. (Translated from Chinese.)

Social capital greatly helped Chinese small business owners to overcome barriers in the American market. When they talked about what made them successful or how they had achieved their goals, most of them claimed, “myself”. They used different versions to show this individualistic feeling, such as, “I worked hard to make myself a success,” “my guts,” “my experience,” “my engagement,” “I am nice to people,” “professional,” and “I am smart”. Those respondents stated different characteristics about *myself* which led to their business success (see Table 8). Only one respondent clearly addressed that to be successful, she needed to maintain good relationships with her clients even though all respondents had to rely on customer relationships.

Table 8

*Factors Leading to Business Success/Failure*

Success/Failure factors	Number of Respondents
Myself (courage, experience, knowledge, intestinal fortitude, working-hard, etc.)	9
Social capital	1
Luck	2

Two respondents in the restaurant and food supply business claimed that “luck” was also the key for their business success. Because of the structurally unequal American market, most Chinese small business owners did not receive governmental capital, and they had to confront various uncontrollable social and economic factors as previously discussed. When they were not satisfied with their business achievement, their main strategy was to work harder and spend more time at their business rather than questioning

and complaining about the system. Consequently, they considered themselves as the key factor for business success or failure.

Facing discrimination, disrespect, and embedded in a systematically unequal market, immigrant business owners interpreted the meaning of success for disadvantaged groups as being different from more privileged groups in the mainstream of society (Valdez, 2011, 2016). Success was not the same for all entrepreneurs, and it could vary from purely economic to purely social aspects (Valdez, 2011). Chinese small business owners had to rely on their limited social and financial resources to overcome their disadvantaged situations.

## **CONCLUSION**

Phoenix Chinese small businesses in this case study were socially involved in the Chinese community, and their market embeddedness evolved within the suburban society. The Chinese immigrant businesses found government support options were difficult to obtain because the Chinese business owners lacked the ability to apply and utilize those resources, and they had few channels offered to them to obtain those services. When investigating the first research question about barriers, the findings revealed that these barriers included financial shortages, disadvantaged human capital, language, cultural obstacles, and trust issues inherent in the American society. These findings on common market barriers and issues for immigrant entrepreneurs were supported by various academic studies (Aygoren & Nordqvist, 2015; Light & Bonacich, 1988; Jurik, 2005; Menjivar, 2000; Valdez, 2011; Wang & Warn, 2018).

The second research question, what social connections provide help for immigrant small business owners to overcome those barriers, was investigated. Strong

ties with family and friends exhibited the most influence, especially during the business start-up period (Aldrich & Cliff, 2003; Aygoren, & Nordqvist, 2015; Bates, 1997; Bates, Bradford & Seamans 2018; Sequeira & Rasheed; 2006). Regarding the third research question, how do social networks provide help for immigrant small business owners, the result of the findings revealed Chinese entrepreneurs utilized social capital as part of their business strategies. Indeed, the findings of the second and third research question were intertwined. Family and friends provided them essential financial support from their own savings, and this became all or part of the business owners' initial start-up capital. Families were also important resources to augment labor requirements. Most family members worked in the business entity as well as a business partner, and they did not constitute the main work force for the business. This finding reflected Aldrich's and Cliff's (2003) study that family members as a labor base are declining.

Those findings were common issues reflected in many immigrant and small business entrepreneurial research studies (Bates, Bradford & Seamans, 2018; Jurik, 2005; Light & Bonacich, 1988; Sequeira & Rasheed, 2006; Valdez, 2011). The local Chinese community was vital in providing Chinese small businesses the initial economic, social, and cultural foundations. Chinese small business owners financially, socially and emotionally heavily relied on the local Chinese community. Even though respondent Chinese entrepreneurs did not realize the significant value derived from local strong ties, the observations and the context of interviews revealed that strong local ties were vital, especially when the business opened. When their businesses became larger and stable, they still needed strong ties as backup support to augment the information provided by weak ties. Professional groups, professional organizations, and transnational connections

produced added economic benefits. In general, strong ties and local connections provided the most important support for Chinese small business.

When the respondents utilized their limited social capital to access and overcome those problems, they found that social capital was a double-edged sword. Chinese connections for Chinese immigrant small business owners did not always provide a positive outcome, and the connections generated some unexpected negative effects. They had to deal with negative consequences associated with social capital such as human emotional debt and in-group competition (Holt, 2011; Menjivar, 2000; Portes, 1998; Wang & Warn, 2018; Zhai, 2009).

McMichael and Manderson (2004) introduced Mahler's research (1995). Mahler found that her immigrant respondents held unsavory attitudes towards their compatriot immigrants. The respondents' opinions proved Mahler's findings.

Mahler attributes the lack of ethnic solidarity to people's alienation and marginalization from mainstream America and its institutions, leading them to focus their resentment on each other. Mahler argues that social capital is not generated automatically as members of a group interact; rather, it depends on the resources that are available to the individual in the group and is conditioned by physical and social location. (McMichael & Manderson, 2004, p. 90).

In a disadvantaged market, the immigrant entrepreneur found it often was difficult to obtain the necessary resources unless the business was based in a resource-rich immigrant enclave community (Sequeira & Rasheed, 2006). Phoenix is relatively new for Chinese immigrants and its available resources for Chinese immigrants were scarce. Because of the structurally unequal market, immigrant business owners were inclined to



underestimate the importance of the help from the ethnic community (Valdez, 2011), and this situation also was exhibited in the Phoenix case study. This attitude made Chinese small business owners eager to merge into the American mainstream market.

In fact, some immigrant owners realized that consolidation with the Chinese social groups was the only way to maximize the Chinese advantage socially, financially, and culturally. This kind of cooperation so far only happened within certain regions. Consequently, *Tongxiang* ties (people from the same region in their homeland) became important for this kind of business alliance.

One of the significant findings from the Phoenix case study was that the importance of social capital was undervalued in Chinese small business development. Although only one respondent stated that social capital was the key factor for business success; the remaining respondents stated that the respondents themselves were the most important element. An analysis of the respondents' interviews also implied that social capital was essential for their businesses. This finding reflected Valdez's (2011, 2016) analysis about rugged individualism. The Phoenix respondents tended to adopt the White, male, middle-class American creed, and their individual responsibility to explain their business success/failure. They even thought that luck was an essential factor more than social capital for their business success. This situation might be due to the structural inequality in the American society. Because of the stress when confronting those barriers and issues from the embedded market, Chinese small business owners often overestimated their own abilities even though the meaning of success contained diverse economic, socioeconomic, and social meanings.

As a disadvantaged group, they changed their objectives over time, and most of them just aimed at getting through and surviving in the market. In this study, the respondents' definition of success focused more on the business owner's ability to remain profitable or to expand the business size and to ensure their children's ability to obtain a good education. Further, business owners used their social achievement and social connections to demonstrate to the community their successful business and personal performance. Business profitability and personal reputation were both important measures of their success.

## **Chapter 5: Chinese Small Business Findings in Los Angeles**

The second case study for this dissertation was conducted in Los Angeles in order to enrich the breadth of this research. Los Angeles (L.A.) having a long history of Chinese immigration. The L.A. case study provided important data in regard to a mature market for Chinese entrepreneurs. This Chapter identifies the uniqueness of the L.A. market. Like chapter 4, this chapter includes four thematic sections<sup>12</sup>.

The L.A. Chinese small business owners shared many similar circumstances such as social relations, disadvantages, certain business motivations, goals, and the measure of success, to those circumstances described in the Phoenix study. This Chapter intends to briefly mention the similarities and differences between the two case studies with a detailed analysis provided in the Chapter Six. In the L.A. case study, 14 interviews were conducted, and of those interviews 12 were with first-generation immigrants. Two were non-immigrants American born Chinese, and they served as surrogates of their parents who stated the business and the data obtained related an immigrant small business. Thirteen of those respondents were college graduates, and one attended college but did not receive a degree. In the interviews, the respondents indicated that their goals were mainly to make profits and expand the business size as found in the Phoenix case study. The L.A. businesses encountered similar disadvantages as in the Phoenix case study in the areas of financing and disadvantages in human and government capital. To overcome

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<sup>12</sup> (a) How Chinese small business owners started the business, (b) the barriers they encountered, (c) business strategies used to reach goals and overcome barriers, and (d) how business owners conceptualized business achievement.

those barriers and issues, social capital played an important role but, due to excessive personal demands of time, energy, and money, negative effects of social capital also occurred.

In contrast to the Phoenix findings, transnational connections were one of the most important stimuli that motivated L.A. Chinese small business owners to start a business. In addition, L.A. respondents devoted additional time and energy into community service and political activities as a strategy to create a better environment for their businesses and families. Thus, they used their social achievements to measure their success as a subset to making profits and sustaining their business.

## **DEMOGRAPHIC PROFILE**

The demographics for Los Angeles and the Phoenix case studies are provided in Table 1 in Chapter Three. The L.A. demographics differed in some important ways from those of the Phoenix sample. The most significant differences were that L.A. respondents had a relatively more affluent background<sup>13</sup>, and fewer L.A. respondents were involved in service industries. L.A. respondents generally had a higher human capital than the Phoenix respondents. Consequently, they had a greater ability to enter professional industries, such as legal and financial services, and to utilize transnational connections for their business development. Many of the similarities and differences between my two case studies appeared to be linked to their demographic differences. It is important to

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<sup>13</sup> In this dissertation, affluent respondents referred to those individuals whose families have ample financial resources to support their education and/or provide their start-up funds as well as giving them to access to additional resources.

detail those demographic differences here as they shed light on the Chinese small business owners' choices of business activities and entrepreneurial preferences. Table 9 shows the demographic characteristics between Phoenix and L.A. respondents.

As discussed in Chapter Three, L.A. has a longer history and larger population of Chinese immigration than Phoenix. Especially for immigrant entrepreneurship, L.A. had the second highest concentration of immigrant small business ownership among metropolitan areas in the United States. Immigrants own 33% of California small businesses (Esquivel, 2012). Immigrants generate more than 1/3 of L.A. county's gross domestic income, and account for more than half of the self-employed workers in the county (Fine, 2017). Because of the strong cultural and network ties, L.A. handles nearly 45% trade between China and the United States, and it is the top international trade gateway to China among American counties (Guerra, 2014). The partnership of the private and the public sector of Chinese immigrant in L.A. urban development involves partnerships of transnational Chinese and local Chinese American entrepreneurs (Lin & Chiong, 2016). Therefore, L.A. Chinese entrepreneurs tend to access higher frequency of international trade. Consequently, 50% of the L.A. study sample was involved in transnational entrepreneurship compared to about 30% in Phoenix. In the Phoenix case study only one respondent, Lee, brought funds from China to the business, which represents 10% of the total samples in Phoenix. L.A. had four affluent respondents with enough family wealth for start-up funds and that was around 30% of the total respondents in L.A. In both case studies respondents had a high percentage of an advanced educational background. Further, in the L.A. case only two respondents were involved in local service, and food industries. Half of L.A. respondents were in professional

industries such as construction, legal service, and media as shown in Table 1. On the other hand, most of Phoenix respondents were in the service businesses such as food related industries, and only three Phoenix respondents were in professional areas.

Through snowball sampling, I generated Table 9 demonstrating the characteristic differences between L.A. and Phoenix respondents. From Table 9, L.A. respondents had higher family wealth, were less involved in the service industry, and tended to be more fluent in English. Therefore, having a positive environment for international business, and an entrepreneurial background, L.A. respondents tended to be more motivated by their transnational connections than in the Phoenix case.

Table 9

*Characteristics of L.A. and Phoenix Chinese Entrepreneurs*

Description	Phoenix respondents	L.A. respondents
Mean Age	53.9	56.7
BA or Graduate/Professional	78%	92.80%
Transnational Business	33.30%	50%
Affluent Background	11.10%	28.60%
Business in Professional Industries	33.30%	42.90%
Business in Local Servicing Industries	66.70%	14.30%
Used Chinese in Interview	77.80%	35.70%

## **STARTING A BUSINESS AND SETTLEMENT CHOICE**

In all 14 L.A. interviews, the major motivation to start a business was to gain financial security. However, unlike the Phoenix case study, transnational connections

played a vital role as a business motivation. China's manufacturing provided business opportunities for L.A. immigrant entrepreneurs. L.A. respondents' bilingual ability and inside know-how between China and the United States enabled these entrepreneurs to open niche markets in the United States. The following section discusses entrepreneurial and immigration motivations in L.A.

**Starting a Business.** Like the Phoenix sample, the L.A. sample shared three main motivations—primarily, to obtain financial mobility and autonomy. Secondly, Chinese business owners pursued business ownership because of the limited choices available in the local job market. Thirdly, Chinese small business owners were motivated by their social connections, especially through strong ties, to start a business. It's also important to understand roles these three motivations for starting a business: transnational connections, family and cultural influence, and the constrained opportunities in career development.

***Social capital influences decision making.*** The number of transnational connections were the most obvious difference between L.A. and Phoenix case studies. In the L.A. case study, 11 respondents stated social connections, coupled with family influence, were key elements in starting a business. The remaining three respondents felt social capital had little effect in their decision making which agreed with the majority of the Phoenix study.

In the L.A. case study, transnational ties were a significant factor for seven respondents who claimed that these ties directly or indirectly motivated them to start their own businesses. The respondent Chinese entrepreneurs discovered that their marketing strategy should be to leverage the business opportunities within China to serve both the

American mainstream market and the Chinese minorities in the United States. Most of the respondents were bilingual, multi-cultural, and were able to travel easily between China and the United States. Just as the toy wholesaler Dang expressed about the benefit of his language skills to develop his transnational business, he said “when you do trade with China, the factories are more likely to offer a lot of credit to people who speak their own language. So that is, basically, you get merchandise first and then pay later. It reduces your [business] risk”. The owner of a transnational law firm, Kong, stated that his advantage, compared to his competitors, is his bi-cultural background, and this allows him to do business between China and the United States more easily when comparing to his competitors. Kong, who resides in both places, stated:

I’m still a U.S. citizen...have been in the United States long enough and went to U.S. schools, and worked, lived there before I came back [to China]. So, I guess as a U.S. lawyer, U.S. clients feel the different between somebody who has been there [the United States] for five to ten years for education, [and then] came back [to China] and [still with] the cultural and language [advantages].

Over the past 30 years, China has become known as “the world factory”<sup>14</sup>. This phenomenon opened the door for business opportunities for Chinese immigrant business owners because of their ability to speak Chinese and the social relationships they have in China. The respondent Huang, a first-generation immigrant from China in his late 30s grew up in an entrepreneurial environment. His family, relatives, and friends owned

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<sup>14</sup> The strong manufacturing power of China.



businesses in China, so naturally this motivated him to start a trading business by utilizing those advantages. Huang stated:

We mainly relied on the manufacturing in China to do businesses abroad. Many of my classmates, and friends had factories in China, so I sold their products. It's similar to the mode of many current wholesaling businesses—I purchased products from them and retailed them. (Translated from the Chinese.)

Huang's friend Yu had a similar experience but as an online wholesaler. Yu, now in his 40s, came to the United States for education. After obtaining his master's degree and working for an American company for years, he subsequently decided to quit the job. He partnered with one of his university postgraduates to operate an online wholesale business. He stated that “our merchandise is made in China since so far China is still the World's Factory. Most of our success can be attributed to China” (Translated from the Chinese). The lower cost of labor in China was an important advantage, and this advantage became the entrepreneurial motivation for Chinese immigrant business owners to start their business. Even though Yu realized that the cost of Chinese merchandise had risen, he still had confidence that his Chinese products would sell in the U.S. market.

As an immigrant, there were few social and economic resources for Chinese small business owners in the American system. Their transnational connections provided an advantage in accessing resources to do business and the opportunities to utilize their social and economic resources from their hometowns in China. Respondent Dang, a toy wholesaler in his 60s employed his connections with Hong Kong toy factories to start his business:

You know, being an immigrant is difficult. You don't have a large enough consumer base; immigrants were few in those early times. Regional relationships are strong in business because you have been involved in it and you have conducted a lot of regional business. But then you are very limited. So, I decided that toys were the industry that I knew—Hong Kong toys. I knew where people can get the products . . . I did not know everyone in this industry, but you know, in this business, I can always find a friend's factory.

Dang realized the barriers that immigrant entrepreneurs encountered. Instead of engaging into the traditional low entry-level businesses such as restaurants, laundry service, or direct competition with local American competitors, he cleverly leveraged homeland ties where his transnational connection strengths gave him a more favorable business opportunity.

Respondent Kong, an immigrant from Hong Kong, also recognized China's large market potential and diverse opportunities. After obtaining his J.D. degree, Kong sensed the positive business prospects in China, and took his family there and opened a business offering legal services to clients from both the United States and China. Thus, the ability to build transnational connections between China and America motivated Kong to continue his business in China and the United States, even though he was in his late 60s. To illustrate his advantage of doing business in China, Kong stated:

Foreign law firms practice foreign law; Chinese law firms are [practicing] Chinese law. There is no such thing as a joint venture, you know . . . anyway that was the decision. So that's how I came in 1993, actually, to [open] in 1992 a few isolated individually approved law firms, then a branch office in China, but 1993

was the first formal whole batch. There were 22 foreign law firms approved at one time in September 1993 [in China].

For Kong, the most important social capital aspect was his transnational connections. He stated that for his business, “The key will be the international, cross border, cultural, cross cultural, and cross border transactions that help a business or the nature of a business.” He used international and cross cultural to describe the essential factor of his business because he had the ability to utilize resources in both markets. Saxenian (2006) called these people Argonauts,

Argonauts can quickly identify promising new market opportunities, raise capital, build management teams, and establish partnerships with specialist producers located far away. The ease of communication and information exchange within ethnic professional networks accelerates learning about new sources of skill, technology, and capital as well as about potential collaborators, facilitating the timely responses that are essential in a highly competitive environment.

(Saxenian, 2006, p. 5).

Transnational connections also brought overseas investors to the U.S. market. This also provided business opportunities for respondent Chen, in association with a local television station in L.A. Chen is a well-known retired journalist in L.A. with well-positioned connections in the local market. When a Chinese investor who lacked knowledge about the market wanted to open a TV station in L.A., Chen had the language skills and the cultural background, and this advantage motivated her to join the business, reminiscing:

I had just retired from the newspaper industry. The investor, a newcomer, who didn't have competent connections knew that I had some highly qualified connections in this area. He invited me to join them. I had the media experience since I graduated from UC Irvine in 1984 and had excellent local social relations, so I felt I could help them. (Translated from the Chinese).

During the interview, Chen described the benefits of transnational knowledge. Chen understood Chinese culture, politics, and the Chinese media products and was also well known in the local Chinese market in L.A., the local Chinese community, and the American mainstream market. With that knowledgeability and skill in handling the Chinese investor, media products, and the American market, Chen succeeded in this business opportunity.

In the L.A. case study, the above respondents contrasted with many Chinese immigrant entrepreneurs who chose to work in the Chinatowns and ethnic enclaves. Many of these individuals engaged in low-wage and low-skilled business positions to survive in the American mainstream economy. Clearly, those with higher human capital, a better financial position, and multi-cultural skills were better positioned to leverage their transnational connections as well as having more potential in doing business transnationally. Transnational connections played a vital role as a motivator for L.A. Chinese business owners to start a transnational business.

***Social and cultural motivation.*** In the L.A. case study, four respondents revealed that the motivation to start their businesses was influenced by their social and family environment, referred to as entrepreneurial cultural influence in this dissertation. Aldrich and Cliff (2003) introduced a point that prior knowledge through family, education, and

work experience influenced entrepreneurial opportunity recognition. In the L.A. case study, the situation was similar. The new immigrant business owners interviewed were stimulated by their social and family's cultural environments to become entrepreneurs.

For example, Huang started his first business while he was still in school. When he explained the motivation of his entrepreneurship, he emphasized his hometown of Wenzhou, an industrial city in southeast China famous for people who are good in doing business. Huang was heavily influenced by the entrepreneurial environment in Wenzhou. To illustrate his business motivation, Huang stated:

People from my hometown actually do not suddenly start to think about “starting up a business” or something at a certain age. It’s just naturally what you do after graduation or even before graduation. It’s influenced by your family, and you know that you need to start up your business after graduation. You didn’t need to make all the preparations in advance or have any ambitious goals. It just happened naturally. We were influenced by the environment. Some of my classmates in high school chose to quit high school and skip college; some even earlier to work in their family-owned factories. (Translated from the Chinese.)

Huang used *naturally* to describe his entrepreneurial motivation. Because he grew up in an entrepreneurial environment, he instinctively received entrepreneurial human capital from his family, friends, and the surrounding social and economic environments. Huang quit his job as a traffic policeman and started his own business, just like his classmates. The entrepreneurial social environment of Wenzhou in China heavily influenced and motivated his choice of a career path.

Another case was Respondent Cao. In L.A. his parents ran businesses in Chinatown. Under this family's entrepreneurial inspiration, he started his business while in high school. Upon graduating from law school, he became a lawyer. Then later, because of a family accident, he quit his job and went back home to run the family business. He stated that his family heavily influenced him, and for his entrepreneurial motivation he said, "I think I got from my dad." The same influence was seen with Respondent Bao, in his 50s, who opened a Chinese bakery in Chinatown. His family also strongly motivated him to start a business. He claimed that he started the business, so he could have more free time to do what he wanted to do, "Just like my mom and dad, you know, just from the family background" (Translated from the Chinese).

Some academic findings challenge the hypothesis that ethnic entrepreneurship and economic mobility are connected (Bates, 1997; Portes and Jensen, 1989). Light and Bonacich's (1988) study showed that ethnic entrepreneurship (Korean) was a survival-strategy. Wang and Warn's (2018) investigations showed that Chinese business immigrants, even with affluent financial backgrounds, were still in the low-profit, "get-by" business. However, my study identified four respondents who had at least a college degree and decent job opportunities in the local job market. For them, entrepreneurship was not seen as unpleasant survival-strategy, but rather an attractive choice as their career path. Subsequently, they did not continue as employees working for someone else. Instead, they started their own businesses because they valued opportunities for ownership and were motivated by their family and the surrounding social environment. Unlike other Chinese immigrant business owners who start a business due to the limited

work opportunities in the local job market, entrepreneurial business owners seemed to have a natural aptitude influenced by their cultural and social characteristics.

This finding reflected concepts about opportunity and necessity entrepreneurship (Fairlie & Fossen, 2018). In entrepreneurial literature, business creation can be separated into two components - opportunity and necessity entrepreneurship. Entrepreneurial individuals are attracted by valuable business opportunities to improve their lives. This is opportunity entrepreneurship. This means that individuals are motivated by *pull factors* (Wang & Warn, 2018) including positive components to start a business. On the other hand, when individuals lack career options, they tend to engage in necessity-based entrepreneurship. These necessity-based business owners are compelled into self-employment because of push factors (Wang & Warn, 2018) containing barriers and other negative factors (Nikolaev, Boudreaux & Palich, 2018; Fairlie & Fossen, 2018). The most significant difference between opportunity and necessity entrepreneurship is the employment status. Individuals who are initially “wage/salary workers, enrolled in school or college, or are not actively seeking a job” are defined as workers engaged in opportunity entrepreneurship (Fairlie & Fossen, 2018, p. 2). Therefore, regarding this definition, all my respondents from both Phoenix and L.A. respondents were opportunity driven entrepreneurs.

Cultural and economic resources form entrepreneurs’ values, attitudes, skills, and knowledge can promote entrepreneurship (Light and Bonacich, 1988; Valdez, 2011; Wang & Warn, 2018). As discussed, L.A. respondents generally had a more affluent background in financial and human capital than Phoenix samples. The prior knowledge developed before entrepreneurship such as education and professional background,

family influence and support strongly influence business ownership and opportunity recognition (Aldrich & Cliff, 2003; Valdez, 2011). L.A. respondents heavily benefited from those factors.

***Financial mobility and autonomy.*** The desire to attain financial mobility and management autonomy motivated L.A. and Phoenix Chinese immigrants to start a business. In the Phoenix case study, the Chinese small business owners found their human capital was insufficient to obtain a job because they did not have sufficient experience or transferable education. On the other hand, the L.A. Chinese immigrants received their degrees from U.S. universities and had the human capital to obtain mainstream employment. Even so, they decided to open their business because they believed the main stream companies blocked further advancement due to their ethnicity.

To further illustrate, two L.A. respondents described the difficult circumstances in using their human capital. They had obtained degrees from prominent U.S. universities and obtained respectable positions in American companies. However, as immigrants, they felt cultural barriers prevented them from climbing the corporate ladder. For instance, Yu's motivations for starting his own business were that he wanted to leverage his transnational connections, to overcome the career ceiling issue, and to be in control of his own destiny. "If you are an employee, metaphorically, you can only see the ceiling above you; but if you start your own business, the sky is the limit depending on your own capabilities. Of course, you may fail as well, but the failure falls on you" (Translated from the Chinese).

For these reasons, Yu as an opportunity driven entrepreneur<sup>xxix</sup> (Fairlie & Fossen, 2018), was motivated to start his business in order to reach his goal of financial success



by trusting in his human capital, including his professional credentials, master's degrees Biology and Computer Science, and utilizing an alumnus as a partner of the firm. These two respondents clearly pointed out the insufficiencies of human capital when up against barriers of discrimination of mainstream society. Thus, when Yu opened his own business, he thought that he could master his fate and have more choices in his career path, yet "the American social structure is comprised of class, gender, racial, and ethnic group hierarchies, which intersect to create structural inequality" (Valdez, 2011, p. 20).

Like the Phoenix case study, five L.A. respondents also declared they had no dreams. Despite the fact that they claimed that they had no dream, it was obvious when they were facing structural inequality that they in fact had a deeper dream hidden within. For instance, Pang in his late 60s, a former successful construction company owner, immigrated with his parents to the United States when he was a teenager. As a first-generation immigrant, he said that he "just came with my family and I had no knowledge of what America's like . . . I had no knowledge what the future would be like". For him, "no dream" meant he had to find some way to survive in an unfamiliar environment. Consequently, in the Phoenix and L.A. case studies, respondents replied they had "no dream" to describe their feelings of being a rugged individual who reacted to their current situation rather than fantasizing about reaching their goals. This was coupled with feelings of being disadvantaged socially, culturally, politically, and financially in American society. Both Phoenix and L.A. respondents in their interviews revealed that they strived towards their goals as specific business objectives, tangible and measurable, but not as ambiguous dreams.

L.A. respondents were motivated by their social capital, social and cultural influences and financial freedom and autonomy to start their entrepreneurship. Social capital played an important role to motivate Chinese immigrant business owners in the early stage of their business development. Their social relationships also heavily influenced decision making for determine a place to start their business. In the following section I will introduce how the respondents chose their settlement and business location.

**Social & Human Capital and Business Opportunities Shape Location.** The location of respondents also shaped their view of business opportunities. My L.A. respondents were more enthusiastic about the educational and business opportunities than the respondents were in Phoenix. Social and human capital played a significant role for Chinese immigrant small business owners to select their personal and business locations. Similar to the Phoenix case study respondents, chain migration was one of the main reasons they came to the United States and settled in L.A. The second reason for business owners choosing L.A. was the business opportunities. The third motivation was the large number of Chinese ethnic groups in L.A. that provided the essential cultural support for Chinese entrepreneurs to start their business. This section will focus on these three causes.

For Huang, logistics was important, and L.A.'s large harbors and the business cost was relatively low. He addressed:

I had no one to rely on when I first arrived here, and I knew no one. For the first month, I stayed in a motel where I found a copy of a CCYP [Chinese yellow page 华人工商]. The first person I met was a [Chinese] agent, whom I called to rent a

warehouse for me. I couldn't even rent a place to live, as I didn't have credit. I had money, but I did not have credit. [Without family or friends here] when I just got here, I rented a warehouse for cash. I found the agent through the yellow pages of CCYP. I found an agent who spoke Chinese to help me rent a house, so when I needed to find a house or warehouse, I could ask him. And then I started to recruit my employees through local Chinese newspapers, like the World Journal. (Translated from the Chinese.)

When Huang arrived without language skills and social connections, L.A. became an ideal place for him because of the large Chinese community. He easily found a Chinese speaking real estate agent who was professional in helping him walk through the initial stages to start a business such as renting a business location. He built his early social connections through the local Chinese yellow pages, and he utilized the local Chinese media to recruit employees who were bilingual in Chinese and English. They helped him to communicate with American clients and subsequently he expanded his labor force to include English speakers. As a new immigrant entrepreneur with little knowledge about the local market and without the necessary language skills and social connections, it would have been very difficult for Huang to begin a business in a foreign country.

With an affluent family background, these entrepreneurs were able to support to come to L.A. for educational or work opportunities. Six respondents stated that they originally chose L.A. as their business location due to educational opportunities, and after graduation they developed social relationships within the local society. Such was the case for Shen who was in his 50s and the owner of a printing shop. He came to the United

States for education, and with his new degree and perseverance he opened a printing business. Chinese people value higher education, and the American academic system strongly attracted Chinese students (Li, 2009). L.A. with many prestigious schools such as UCLA (University of California, Los Angeles) and USC (University of Southern California) became a desirable place for Chinese students. After graduating, they settled in this area where they built their social relations and developed job opportunities through their educational success. Another example was respondent Kong who left Hong Kong and came to the United States for education, and after that settled in L.A. He stated:

[Stay in the United States?] I guess after you major in law there is no use to go back to Hong Kong to do anything. I started in engineering, but I settled on law. American law should be practiced in America rather than in Hong Kong, we are not British solicitors so... And then I got married at that time, so... family and profession [kept me here].

After school, Kong found job opportunities in law and began his family in L.A. Thus, the area became the place for him to start his business while he accumulated economic and social capital. Just as Light and Bonacich (1988) noted, some non-immigrants, such as foreign (Korean) students, were able to adjust their status to immigrant after they arrived in the United States. Kong undertook this process.

With a prestigious educational system and large Chinese communities, Chinese school alumni also became an important resource to attract other Chinese students from other states and to motivate entrepreneurship in their recruits upon graduation. Such is the case with Yu who stated he quit his job in New York and came to California because of the job opportunities and the mild weather. After working ten years in L.A., he was

offered a business opportunity from his Chinese alumni, and he quit his salaried job and became a business partner of an online wholesale business.

As a large metropolitan area, with huge job market and Chinese communities, L.A. contains enormous job and business opportunities for Chinese immigrants with less affluent backgrounds. For example, Tang, now in his early 70s and with only a high school education from China, immigrated from Hong Kong and owns and operates a garment factory. He and his wife worked and learned garment manufacturing in Hong Kong. He and his sister were offered a job opportunity in L.A. Explaining his choice of location, he claimed:

[I came] just because my sister came here earlier, and her friends were in L.A. Besides, my Taiwanese boss who I had worked with previously also suggested that I come to L.A., and he offered me a job and helped us apply for the green cards. You know our business is totally local-based... so we just stayed here [and did not move somewhere else]. Also, the overall environment here is friendlier... because our English is not good... and people here are very tolerant to you even if your English is not perfect. (Translated from the Chinese.)

Without out proper education and English language skills, the multi-cultural environment and the full business services in the L.A. Chinese community provided a comfort zone for Tang to start his business. According to Tang, what brought him here to L.A. was the job opportunity from his previous employer and his sister. After settling down he felt comfortable with the multi-cultural social environment, and he used the word “friendlier” to express this. Because of the large Chinese population, he hired immigrant workers from Hong Kong, and most of his business support groups, such as

insurance and bankers, were Chinese. Thus, it was easier for Tang to start his business in L.A. even with his limited English skills.

Overall, L.A. respondents were more positive about the local cultural groups, education systems, business opportunities, and the job market. This positive attitude was influenced by history of Chinese immigration and the geographic location of L.A. Moreover, L.A. respondents generally had a relatively more affluent background than Phoenix respondent, and such experiences also influenced them to have positive prospects about their business. However, even those with less affluent backgrounds also benefited from the Chinese multi-cultural and powerful environment, and quickly settled down in the United States.

In summary, the large Chinese community in L.A. provided a relatively more comfortable environment than in Phoenix for Chinese small business owners as they were able to obtain social, financial, labor and cultural support to begin their business. The outstanding educational system attracted Chinese students, and after graduation they generally remained in L.A. And finally, the business and job opportunities in L.A., a large established metropolitan area, worked as a magnet attracting other Chinese entrepreneurs to come and develop their businesses in L.A. Even though L.A. provided an attractive environment for Chinese small business owners, they still encountered embedded market barriers and issues. In the following section, I will discuss the embedded market barriers and other issues.

## **MARKETS AND BARRIERS**

**The Mainstream Society/Market.** Similar to Phoenix case study, L.A. respondents were also confronted with discrimination in jobs and business development,

and they also felt socially marginalized from the mainstream society. As Light and Bonacich (1988) mentioned, immigrant small business owners faced various issues and took advantage as middleman to find a market niche in undesired areas in the receiving country. The Chinese small business owners also confronted these dynamics in the Los Angeles market. Some respondents in this case study realized they were marginalized and devoted their effort to change the market. Respondent Shen was a politician in local American society. When he explained his main market, Shen stated “fortunately and unfortunately, I think Asian is still my main market”. He felt lucky being Asian, so it was easier for him to use his ethnic identity to get into this market. However, because of that, he was also limited to the ethnic market. The reason he did not open a business in the mainstream market was that he claimed that he never asked for help from his social connections:

If I don’t ask, there is no good connection for me [to connect to the mainstream market]. Do I know some people [in the mainstream]? Yes, I do. But do I want to ask [for help]? I don’t know if I ask them [what the chance is] will they automatically give it to you. But I never asked.

Even though Shen was heavily involved in the local mainstream political activities, it was still difficult for him to get into the mainstream market. Therefore, he used “I don’t ask” to reduce the embarrassing situation for being socially marginalized.

Interestingly, when four Phoenix participants felt that they were well connected to the mainstream society, ten L.A. respondents also directly or indirectly revealed that their businesses were well connected to the mainstream market, even though some realized that they were marginalized. For instance, Huang and Yu stated that their businesses were

in the mainstream market. Huang ran an online fashion retail business, and most of his vendors were American companies, so he stated that he operated a mainstream business. When discussing the meaning of a “mainstream business”, he revealed “a business that can grow and develop locally in the United States”. Yu also stated that his business was well connected to the mainstream:

[My business is well connected to the mainstream market] Because our customers are made up of all kinds of people. We sell our products on various major platforms. We have several hundred thousand customers. I think we are covering all consumer groups. We are kind of selling household products, so it’s needed by everyone. (Translated from the Chinese).

According to Yu, because his clients were diverse, his business was in the mainstream. In the L.A. case study, when businesses were related to cyber business or were professional businesses such as construction, Chinese small business owners tended to consider their businesses as being in the mainstream or at least well-connected to it because their clients were not only limited to certain ethnic groups.

Even those who stated that their businesses were in the mainstream market, they still needed the Chinese community for support. Just as in the Phoenix case study, the L.A. Chinese community provided a limited customer base, financial resources, the employee resources, and social satisfaction. For example, Yu stated that his business was well connected to the mainstream. His best friend Huang told me that he was mostly removed from the mainstream society and close to the Chinese community. Even though Yu was not totally satisfied in being totally immersed in the Chinese community, he claimed:



You know that every ethnic group here in L.A. has its own gatherings. Some people say that the United States is like a melting pot. But it's more like salad. It's not mixed. Hispanics prefer to hang out with Hispanics, and Chinese like to hang out with Chinese. Of course, we will mingle sometimes, but that is not the mainstream, I think. (Translated from the Chinese).

For him, his cultural and social background made the Chinese community important, as he still felt marginalized from "American society".

It was difficult for Chinese small business owners to intermingle within the American mainstream society. Although some Chinese small business owners found it was difficult to benefit from the local Chinese community, they also found that they were marginalized from an American mainstream community even though seven respondents directly or indirectly stated that their businesses were well connected to the mainstream. From their narratives, they were still segregated from the mainstream community or even other ethnic communities. Respondent Yu stated that every ethnicity does not "melt" together but separates like in a "salad bowl". He claimed that it was difficult for immigrant entrepreneurs to obtain cultural, social and financial support from the mainstream society or even other ethnic groups. Indeed, respondents still perceived themselves to be in a systematically unequal market and described encountering various barriers and issues as discussed in the following section.

**Barriers/Dilemmas and Negative Sides of Social Capital.** Besides the pre-existing disadvantages for immigrant small businesses such as the shortage of financial resources and language barriers, the limitations of an immigrant small business made two L.A. respondents want to keep their business small. For example, L.A. respondent Xin

wanted to keep his business small because his previous business expanded and grew out of control and eventually failed. Xin stated:

Well, our goal is just to maintain a small business... Because I already had a big company before, I didn't want to have [another] big company... I would say bigger is not better. But there is [in] a lot of people's mind—you want to grow big, and things like that. But sometimes losing control is worse than anything else, it depends... More expense. More ways of losing money.

As an immigrant small business, Xin lacked labor, financial support, and social resources. Therefore, when his company grew too quickly, the business faced more uncertainties and un-controllable situations that the small business owner was unprepared for. Consequently, to avoid those growth issues some Chinese small business owners would prefer to keep their business small to ensure control. “In many instances, an immigrant owner may choose not to grow beyond a certain size for a variety of reasons” (Sequeira & Rasheed, 2006, p.365). Chaganti and Greene (2002) found that small business owners in ethnic communities might not necessarily pursue high growth or enter the mainstream market because they viewed their business as a means of social mobility and self-employment. Especially when the ethnic community is large enough to support the growth of entrepreneurial businesses, their strong ties might constrain them to expand their business to non-ethnic markets (Sequeira & Rasheed, 2006).

Even with transnational connections, L.A. respondents still faced unfavorable outcomes from social capital. The negative impact caused by some forms of social capital was similar to that found in the Phoenix case study. Eight L.A. respondents revealed that they felt the social requirements of the Chinese community required too much time,

energy and money with few benefits, thus they tried to distance themselves from it. For example, Huang, who heavily benefited from the Chinese community to start his business, eventually tried to avoid Chinese associations. When he just started his business, Huang was elected as the president of one L.A. Chinese association. But later, he felt that the high cost to maintain this association did not help him to expand his business, so he decided to reduce social connections with the local Chinese community:

We are kind of marginalized...now we rarely contact China...if you talk about Chinese “guanxi” [social connections] we tend to have the “guanxi” less and less...we don't have many “connections” as we understand in the Chinese context... even for personal emotional connections. I mainly rely on employee relations in my business from the beginning to the end, rarely on friends. I think in the United States, just like in China, there are probably some “ren ji guan xi” [relations] that may benefit or harm you. But as immigrants like us, we don't have many similar connections that can benefit us. We can't feel that certain kinds of “re ji guan xi” [social relationships] brings us beneficial impacts. (Translated from the Chinese.)

As a new immigrant small business owner, Huang realized that he was marginalized. He distanced himself from his old relationships in China but in the meantime, it was also difficult for him to utilize local social relations since he did not “have many similar connections that can benefit” (Translated from the Chinese) his business. Thus, the costs—time, energy, and money—to maintain and build ties with the local Chinese community became a burden for him. Huang felt it was difficult to obtain benefits from the local connections.

The advantage of cheap labor costs in China was gradually fading away (Yao, 2016). Three respondents' businesses initially benefited greatly from the inexpensive products from China. As Yu addressed "our goods are made in China, since, so far, China is still the World's Factory. Most of our success can be attributed to China." (Translated from the Chinese.) However, he also realized that "the costs in China are increasing. So, our advantage will be diminishing as well. Such trends are quite obvious." (Translated from the Chinese).

Thus, this trend influenced some Chinese immigrant small business owners to change their business plan. For example, Huang's previous business was selling recreational vehicles. However, Huang noted that with the increasing cost of the labor in China and lack of experience in customer service he had to close that business and changed his business strategy to online fashion retailing, and he did not limit his vendors to just Chinese companies.

Additionally, the labor cost not only increased in China, but Chinese small business owners in the L.A. case study also found that the cost of Chinese immigrant labor also increased, and it became difficult to find and employ inexpensive local Chinese immigrant labor. For instance, Tang, the garment factory owner, hired more than 200 employees in the year 2000, but now he felt frustrated when using recent Chinese immigrant labor because they did not work as hard as the old immigrants, and they wanted higher wages. Thus, after the economic crisis Tang strategically reduced his business and kept only around ten employees. He switched his focus to his family instead of creating a brand name for his products or expanding the business.

Chinese small business owners encountered financial and cultural disadvantages in the local market. Even in a relatively developed ethnic community as L.A., Chinese small business owners still had to develop strategies to overcome barriers and issues. In the next section we will look at research questions concerning their business strategies: What social connections provide help for immigrant small business owners to overcome those barriers, and how do social networks provide help for immigrant small business owners, will be explored.

### **BUSINESS STRATEGIES FOR OVERCOMING BARRIERS**

With the large Chinese population and opportunities in Los Angeles, Chinese small business owners had a variety of strategies. They strategically used their limited financial, social and cultural capital to overcome their market shortages, and fulfilled their goals. The following discussion employed the same model of market capacity used in the Phoenix case study. The concept of market capacity includes market capital, social capital and government capital.

**Strategy for Market Capital.** Even though L.A. is a stronger market place than Phoenix, the L.A. case study found start-up funds from bank loans were unattainable. As in the Phoenix case, personal savings was the main financial resource used by 12 L. A. respondents for start-up funds. The next financial resource was their real estate investments utilized to either sell or obtain equity loans or lines of credit. The third and fourth most popular financial source in L.A. business owners' financial strategy were credit cards and private investors (See Table 10). For example, Huang utilized his personal savings and family support. Tang used his personal savings and, as his business developed, he purchased a house of which enabled him to acquire an equity loan. Chen

stated that their start-up funds came from investors in China. Financial support from family and friends was still a vital element in their strategies for Chinese small business owners in L.A. When Chinese small business owners encountered financial difficulties, they utilized their social capital in their business plan to access to resources and built their customer base.

Table 10

*Financial Capital in LA Case Study*

Financial Capital	Number of Respondents*	Percentage of usage (%)
Personal savings	12	86
Family/friend loans	2	14
Bank loan	0	/
Property (sold, refinanced)	4	29
Credit cards, credit line	3	21
Investors	3	21

\*(Total 14 respondents used multiple strategies)

**Social Capital as Part of Business Strategy.** In the L.A. case study, the majority of respondents directly or indirectly declared the importance of the various forms of social capital. Social capital created opportunities for informal lending, labor, business information channels and networking to assist disadvantaged entrepreneurs (Valdez, 2011). In this case study, Bridging/Bonding social capital and Strong/Weak ties were applied as the core concepts to discuss how Chinese small business owners utilized social capital as their strategy to offset barriers and disadvantaged situations.

***Family and Friend Ties.*** As discussed, family ties were vital for Chinese small businesses. Family ties provided financial support, unpaid family or low-wage labor, and business opportunities for L.A. Chinese entrepreneurs. Even those who claimed that social capital was valueless for the business still heavily relied on family ties, such as Tang, the garment factory owner. From Tang's interview, he stated that "when you have established a good reputation for your business, customers will come to you by themselves." (Translated from the Chinese.) So, his business strategy was to establish a good reputation for his business. Tang stated that his sister brought him into this business and introduced him to her old boss. After arriving in the United States, his strategy to survive was taking the job as a manager offered by his sister's boss. He used his family ties as his business strategy to get into this industry and learn the business. Later, because his wife was a skilled garment maker, he and his wife opened their business. From these findings, clearly family ties were the key element for Tang to start and develop his business.

Huang, the online fashion business owner, also used his family and friend ties as his business strategy. Huang stated:

We don't have many connections in the Chinese context . . . even personal emotional connections. I mainly rely on employee relations in my business from the beginning to the end of a business, rarely on friends. I think in the United States, just like in China, there are probably some '*renjiguanxi*' [relations] that may benefit or harm you. But as immigrants, we don't have many similar connections that can benefit us. We can't feel that certain kinds of *renjiguanxi* bring you improved impacts. (Translated from the Chinese).

However, through my observations, when Huang arrived in the United States, he partnered with his family to open his first American business, selling recreational vehicles. His family operated a recreational vehicle factory in China, and Huang opened a distributorship for the recreational vehicles in the United States. His family provided financial support and merchandise as the key elements for this business. In contrast to his statement that he only relied on “employee relationships”, apparently, friends and family ties were the key element for Huang’s business plan.

Thirteen respondents obtained various forms of support from friends and family connections. This connection had a powerful influence on business decision making and management. Consequently, the family/friend ties were important social capital in the L.A. respondents’ business plan. This reflected the suggestion made by scholars (Aldrich & Cliff, 2003; Bagwell, 2008, 2018; Light & Bonacich, 1988; Sequeira & Rasheed, 2006; Waldinger, 1995) that family and friend networks were particularly important for ethnic minority enterprise.

Ten respondents in the L.A. sample stated that strong ties were more important than weak ties. Even Shen, the local political leader, who needed ties in politics, addressed the importance of strong ties. When discussing the preference of importance of strong ties or weak ties, he said:

I would tend to think the more interaction you have, you probably create more understanding. You probably provide a little bit more adequate help, assistance, and advice [from strong ties]. If you don’t talk to people that much, maybe only from time to time, not everybody will give you the right [information]...If you don’t contact each other often, how can you know each other very well? Even



though I go there a lot and talk to people, they don't even know what I am doing in printing. So how can they give me some advice and say, "Hey, that guy needs some printing," right?

According to Shen, people whose relationships are based on strong ties understand the needs that a person wants so they can provide the right information. People whose relationships are based on weak ties were not familiar with his desires and demands. Thus, those ties could not provide useful support for his business. However, Shen stated that he devoted most of his time and energy to his political career rather than to his business. He did not want to expand his business and pursue weak ties to increase sales. Consequently, strong ties became an obvious choice for his business maintenance.

Cao Described a similar situation. For him, people with strong ties provided more support for his business because "in my case, probably strong ties [provide more help]. Because what I find is a lot of times my strong ties are able to go beyond [what is expected]." He received "a lot of information from a lot of my social friends" and used strong ties tactically to verify information that was provided by weak ties.

This finding reflected Bagwell's (2008), Light & Bonacich's (1988), and Sequeira & Rasheed's (2006) research that strong ties are vital for ethnic minority entrepreneurs to obtain essential elements for their businesses. In the L.A. sample, two respondents stated that weak ties were more important than strong ties, and three stated that strong and weak ties were both important in their business strategies. (see Table 11).

Table 11

*Most Important Social Connections*

Most Important Social Connections	Number of L.A. Respondents
Friends	5
Local connections (clients, suppliers, Bankers, media, etc.)	8
Associations/Agency	4

***Transnational Ties.*** All L.A. respondents had strong transnational connections. Specifically, 10 of 14 of the respondents relied on transnational connections in varying degrees in their business strategies and were also an indispensable part in their business development strategies. As Saxenian (2006) pointed out, transnational ties become an asset for immigrant entrepreneurs in the 21st-century global economy. For instance, Kong recognized the business opportunity between China and the United States, and he strategically set up his legal service business in China in the early 1990s. At the beginning, he planned to stay in China for a couple of years and then return to the United States. As the business further developed, however, he benefited so greatly from his transnational connections that he continued to develop his transnational business relationships and to remain in China.

Transnational connections also helped Chinese immigrant entrepreneurs to find their niche market, just as Yu said,

[The most valuable impact on my business is] transnational connections, because we are mainly doing international trade. Most of our products come from China.

As Chinese students studying abroad like us, our advantage is [doing] a business between China and the United States. We don't have an advantage if we do business alone in China with Chinese people, or in the United States with Americans. So, our advantage is that we can conduct such bilateral exchange between the two countries, no matter culturally or economically. (Translated from the Chinese.)

For Yu, transnational bridging social capital was important for his business development. His business advantage was bilateral business activities between China and United States, and with these activities he could accomplish transnational bridging social connections to have access to more business opportunities.

L.A. respondents such as Song changed their business plans because of their transnational ties. Song, a garment factory owner, was in his 50s and had a university degree from the United States. He did business with China and Vietnam before, and more importantly his cousins were still running businesses in China, Vietnam, and Russia. He planned to utilize his transnational connections and develop his business in those countries. Describing his business plan for the next 5 years, Song stated:

I would like to go to Hong Kong to start up a business. Not that I will leave everything here behind, but maybe I can partner with some friends there to start up some new businesses that are not clothing related. And I might want to start another new business here as well. (Translated from the Chinese.)

In the L.A. case study, transnational connections provided great resources for immigrant entrepreneurs, and this allowed them to utilize their special cultural, educational, and social connections to develop their niche market (Light & Bonacich,

1988; Saxenian, 2006; Wang & Warn, 2018). As Yu stated, as a Chinese immigrant entrepreneur their business advantage was the niche market between China and the United States. Transnational connections played a significant role in Chinese immigrant entrepreneurs' business strategies.

L.A. entrepreneurs still needed to utilize existing, trustable social connections to verify information from weak ties in transnational connections. For example, Song discussed his strategy to build trust for transnational connections, and said:

Of course, there is some kind of trust and reputation in doing business. Without trust and reputation, you can't run a business. I will ask family or friends that I trust and have them to refer me to the trustworthy connections . . . Friends used to provide this information, but I also looked for this information myself . . . [How did you find these connections?] . . . Through word of mouth and mainly through friends. (Translated from the Chinese.)

Chinese small business owners also realized the value of weak ties to expand their social connections and access business information, but they still relied on strong ties to verify the information that weak ties provided.

Business contracts and social media gave Chinese immigrant small business owners more confidence to use weak ties and five respondents addressed that. Kong talked about his business strategy:

Through the Internet people look up and search, even the Chinese or the Americans or foreigners, a law firm . . . and they can find us and send email to us, inquiring different things so yeah, we do . . . but now with transnational, international [connections], people from who-knows-where in the United States,

they must rely on the Internet, which is more credible now, so the Internet is very important, also a source of our business.

The transnational bridging social capital benefited his business. The social media and business contracts were a useful supplement for Kong. As Kong said, personal referral was still vital for business development. Business contracts and social media were great supplements based on that. With those methods, he could utilize transnational weak ties. For the Chinese small business owners, the strong ties still played an essential role in business development.

***Ethnic Community.*** The ethnic community was also a valuable resource for Chinese small business owners to start and develop their business. Nine L.A. respondents addressed the importance of the Chinese ethnic community to their business, and devoted time supporting community services. Five of them stated that their major clients were Chinese, and all of them used Chinese or other Asians as their employees. As in the Phoenix case study, the local Chinese community also provided four elements for Chinese small businesses: (a) the main market, (b) the main financial resources, (c) the resources of employment, and (d) social satisfaction.

L.A. Chinese entrepreneurs realized that it was important to serve, create, and enhance the Chinese market/enclave. For example, Dang, an L.A. toy wholesaler in his late 60s, made part of his strategy to be heavily involved in many Chinese/Asian associations to mentor and support Chinese/Asian entrepreneurs to start their own business. Consequently, many toy-related businesses clustered around his business entities. He elaborated how he started his business:

When you start [a] business, consumption must be local. I mean, if you don't have a retailer for the residents around you, you become a supplier. Because of the consolidation of the industry, they are not all my customers because they are customers of the retail chains. The retail chains do not [have] headquarters in Los Angeles. That occurs with excessive cost. OK? Walmart is headquartered in Arkansas. Ok? K-mart is headquartered in Michigan. There are a great many customers in Tennessee and North Carolina, but is that regional? No, it's not regional. It's national, domestic--we have the goal, you know, to build relationships. We have every customer here, so when Asian business owners start their businesses, who cares? Guess who the customers are? Asians! Exactly! Particularly when in the early '70s, and '80s; you had a way to reach . . . So, when these the first immigrants came over here, they want to start their small businesses. So, you got a natural customer base. Small businesses base, those immigrants, but you know, serving the immigrants community still are a major source of your base, right?...a growing population of consumers who want to do business with people who speak their languages.

Dang's goal was to be an entrepreneur. With his educational background, he saw the business opportunity in serving the Chinese/Asian community. By doing so, he perceived the creation of a loyal customer base and loyal suppliers. Thus, he stated that "serving the immigrant community" was the basis for his business resources. Thus, he devoted himself to several local organizations to serve the immigrant community. Consequently, with the help from people like Dang, L.A. gradually developed a business cluster for the toy industry for many Chinese and Asian immigrant entrepreneurs. This

business cluster benefits his business by access to suppliers, by attracting potential customers, and by strengthening his business reputation. He stated the business cluster naturally attracts international business, and he said:

Many customers come from Mexico and Texas. How did they find me? If they go to the airport, if they go to a Taxi driver, and asked in Spanish, where do they sell toys? Where can we find a place for wholesale toys? That is where the international businesses start. So how can you go to China [they cannot go to China]? Nobody speaks their language. If you come to Los Angeles, they speak Spanish, they can ask a Spanish driver, and ask “Toy Wholesale”. They came here.

With this business strategy, they could create their niche market in the structurally unequal American market, thereby overcoming the existing disadvantages for Chinese immigrant small businesses.

Another example of this was Cao’s father. Cao had multiple businesses in L.A., and many of those were inherited from his family. His father was well known in the Chinese community by serving it. His father was one of the first who opened a bank to serve this community after observing the difficulty that the Chinese had in applying for a loan through the mainstream financial systems. Cao revealed:

Because my father was an immigrant and lived in the United States, he realized the struggle many Chinese Americans had in getting loans...When he first came to United States, it was very difficult to borrow from the mainstream banks.

Cao’s father realized that as an immigrant, Chinese entrepreneurs were at a disadvantage when starting and further developing a business. By serving the Chinese community, they

also created business opportunities for themselves and fulfilled their business goals. Just as Cao professed, “these are the things that we can do,” and this generated a win-win situation for Chinese immigrant entrepreneurs. Cao also adopted this strategy by serving the community, and his family business obtained loyal customers and created their niche market. This supports Li’s (2009) study about the Chinese community in the Greater Los Angeles as she pointed out,

If the clients are primarily co-ethnics, the businesses are often spatially concentrated, because early ethnic communities often cluster in small-scale downtown areas. If they service a broad base of clients or if their main purpose is to serve people other than their own group, niche businesses tend to be scattered. (Li, 2009, p. 23)

The local Chinese community also provided vital resources for Chinese small business owners. Huang, the owner of the online fashion retail business, purposely employed Chinese Americans with qualified English-speaking skills to help him overcome the language barrier with his U.S. customers. Pang, a previous L.A. construction company owner, targeted Chinese clients and claimed that his business strategy was to use Chinese employees:

They [my employees] are all Chinese. Not because of my need but also because of my clients’ need. They need to be Chinese, they need to know the culture, and you know the way I run the company, only Chinese can stand me.

Some respondents, such as Huang and Tang, claimed that they did not need to connect with or receive support from the Chinese community because they believed that their businesses were in the mainstream. Still they relied on their Chinese employees to



help them develop the local market and open the door to hire English-speaking employees. Bilingual employees were the important channel to help them to expand their business. Huang stated,

When I just started my business, I needed help with the transition [to get Chinese people to work for me]. I knew I need to use Craigslist in here. I also posted the recruitment information in the Los Angeles Times before I knew about the Craigslist. You didn't need that many employees in the first place; one or two were enough. Right? You need a bridge like an ABC [American-born Chinese] if they can get things done. They helped me to execute. No one could help you with decision making, strategy, or ideas. I just told them what effect I wanted to achieve. For example, because my English is not very good, I asked them to draft an advertisement. People who thought the advertisement was appealing would be interested in my company, and I would have more people coming for employment. (Translated from the Chinese.)

Table 12

*Ethnic Employment Demographics*

Employment	Number of L.A. Respondents
Businesses with all Chinese/Asian employees	4
Majority were Chinese	6
Majority were non-Chinese	4

Six L.A. respondents discussed their community activities and prospects in serving the Chinese societies. When discussing their business goals, respondents had

discovered the structural inequality for Chinese immigrants, but they felt the need to serve the community. As an example, respondent Tao, in his early 50s and owner of a construction company, addressed his contribution in the fight for “equal rights for all those things...the discrimination, and glass ceiling.” At the same time, by serving the Chinese community, Chinese entrepreneurs also built up their customer base and enhanced the business environment.

While Phoenix respondents showed low interest in engaging in local political activities with non-Chinese communities, L.A. Chinese small business owners have realized the importance of building the Chinese community within the larger American society and the importance of collaborating with non-Chinese communities. Three respondents clearly stated that they plan to work on strengthening the Chinese community and to developing immigration services. While three others revealed that they devoted a great deal of time, energy and money to support that cause. Those respondents were in their 50s to 70s, and most of them experienced the civil rights social movement during the 1950s and 1960s, so they had a strong incentive to build a better environment for their Chinese community and a better environment for immigrants. They understood a strong Chinese community would help immigrants and increase immigrant business development. Just as Shen stated:

[As an immigrant] you need to start over... you see that is problem with immigrants. You come here and have no connections. One of the reasons I want to serve [the community] is because I want to help them. I can say ‘hey, here is a connection.’ I have been here long enough to know of some resources to help you, so you can get on your feet quicker.

When respondents felt a strong responsibility to build a better environment for Chinese immigrant entrepreneurs and their families, they also wanted their children to remember their roots. Cao stated:

No matter how somebody looks at you, you are still what you are, Asian, and you are still Chinese. Even though I was born here, my father was born in China. My mother was born here... No matter what, you are still Chinese. So again, do not forget your roots.

A strong Chinese community helps Chinese immigrant small businesses to obtain a loyal customer base, to access financial resources, and, more importantly, to assist Chinese small business owners obtain government capital and benefit from the local community. Seven respondents' businesses partially or strongly relied on the Chinese ethnic market. Thus, the Chinese community/market was an important factor in the L.A. Chinese small businesses' strategy.

Seven L.A. respondents direct or indirectly satisfied their emotional needs from the Chinese community because they were able to appreciate the roots of their culture and able to communicate with other Chinese immigrants in their own native language. Indeed, respondents also relied on the Chinese community to provide emotional support to reduce nostalgia. Most respondents' friends were in the Chinese community. As Huang said, "now I have some [Chinese] friends in terms of my personal interests or hobbies, but not in the business circle." (Translated from the Chinese). In the L.A. case study, the ethnic community was still a vital resource for Chinese small business owners to obtain cultural, social, financial, personal, labor, and business support. It should be noted, only

one L.A. respondent stated that he did not appreciate the advantage/benefits from the Chinese community.

Besides serving the Chinese community, three respondents revealed their political desires. The clearest statement was from L.A. respondent Shen who operated the print shop in Alhambra. Certainly, Shen wanted his business to make money, but he devoted most of his time and energy to fulfill his goals in local political activities. He stated:

I contribute back to the society. I do this because I think it is beneficial to my daughters. Being part of the next generation, they have a better opportunity than us . . . You know, you have a more even level playing field, a better representation, better recognition by the non-Asian representatives and indeed by the rest of the country. Because for a long time, we were being treated as outsiders.

In Shen's statement he expressed his dream for the next generation of Chinese immigrants. He did not want them to be treated as "an outsider." Thus, as an immigrant business owner himself, he prioritized his political ambitions to create a better political and social environment for his children. Pursuing his political dream, he claimed that he lost many business opportunities to make more money because his political activities took most of his time and energy away from his business. So, he claimed to be "a politician more than a business person." This career preference seemed to hinder his business development, but he believed that the strategy of sacrificing his business could create a better business and a better social environment for the whole Chinese community. Thereby, Chinese business owners could benefit from his political activities in the future. Therefore, after all of these efforts from different generations of Chinese

immigrants, the L.A. Chinese community tended to provide more opportunities and support for Chinese immigrant small business owners than for comparable Chinese immigrant small business owners in Phoenix.

**Government Capital.** Four respondents claimed that they benefited from government capital. Two of these respondents were in the construction industry. Thus, their minority status in this industry helped them to access government funds and to obtain government contracts. Wu in his 60s, a construction company owner, partnered with a Chinese female. He realized that he could utilize her female identity along with their minority status to bid on U.S. government jobs and acquire more benefits than if competing with all-male competitors. Thus, he chose a female partner, and he stated that their relationship with government agencies provided the most important social connections for his business.

The other two respondents received capital from the government of China. One of them, Chen, did not benefit from her female status but accepted Chinese government capital. In part, the start-up and development funds for the business came from the Chinese government. However, when Chen utilized government capital from China, she had concerns about the volatility of the political relationships between China and the United States that could hinder the business. She said, “political changes can/will affect you very deeply, and this is the disadvantage [risk to utilize Chinese connections]”.

Kong, the legal service owner, also used his government capital to do business between China and the United States. Kong became heavily involved in political events between China and the United States beginning in the 1980s. As discussed, Chinese *Guanxi* (social connections) has a slightly different connotation from the Western term

that social capital contains. Consequently, Kong continued the relationship with the Chinese government, and said:

The [Chinese] government, you know, different bureaus, partially friendship, partially have to deal with them here and there . . . we—foreign lawyers don't have to keep having dinners and meetings, you know be social with all the [political] people because we don't need to . . . we are not real estate developers, don't have to be very well connected [to local Chinese government] and sometimes we have meeting with them, sometimes we have nothing with any regional bureaus or officials, you know, it's only friendship.

The majority of respondents in the L.A. sample did not put government capital into their strategic business plan. Even Shen who was very active in the local government did not receive any government help for his business. His explanation was that he “never asked,” and he claimed that he did not want his business to grow too big so that he had no time and energy to devote to his political activities. Consequently, in the L.A. case study, only two respondents benefited from U.S. government capital. For Chinese business owners utilizing government capital encountered too much frustrating government bureaucracy.

In summary, respondents were disadvantaged in the American market. To overcome barriers and reach their business goals, they took advantage of their bilingual and bicultural background in their business strategy of seeking business opportunities transnational business in China and the United States. Compared to the Phoenix case, L.A. respondents tended to have more transnational connections that provided vital resources to their business plan. As well, the local Chinese community provided a niche

market customer base, financial resources, and a labor force. The local connections were essential for their business, and strong ties provided vital support when they tried to develop transnational businesses. To better understand their business plans, it is important to understand the business owner's achievements. By studying their achievements, the second and third research questions can be investigated.

### **SUCCESS THROUGH ECONOMIC AND SOCIAL CAPITAL**

This section concentrates on the entrepreneurs' own evaluation of their business and their personal performance, and it includes a brief discussion of their changing goals. Through the business owners' definition and measurement of success or failure, the impact of social capital on Chinese small business can be further analyzed. As found in the Phoenix case study, the reasons for changing goals included factors such as personal preferences, family needs, and the systemic issues embedded in the American market.

In L.A., when Chinese immigrant entrepreneurs started their businesses, their original goal was to enhance their entrepreneurial business goals such as making money, building brands, and expanding their business. The L.A. respondents' goals contained different varieties, such as being a good man, a home owner, education, political involvement, and looking for opportunity. But in fact, five respondents claimed that they did not have a specific goal and just wanted to survive. With the passing of time, most of the respondents changed their business goals. One of the most common reasons for goal changing was the change of life style when the respondents got older. For some of them, their business expectations changed to include the desire to perform service in the local Chinese and American communities. Although this desire of social responsibility was found in the L.A. case study, it was not found in my Phoenix case study.

L.A. respondents also utilized economic, socioeconomic and social indicators to measure their success. Certainly, as a business owner, to make more money and expand business size were the most obvious reasons for business success/failure. In a subtler way the respondents in the immigrant community also comprehended the implications of their social and political engagements that would benefit their businesses.

**Measurement of Success.** In the L.A. case study, the definition of success contained additional or perhaps a more mature concept when compared to Phoenix. Entrepreneurs revealed deeper societal responsibilities in defining their success. Six respondents applied economic measures as the definition of success such as business profits, business size, and business survival or longevity.

Even though business owners understood the traditional assumption that economic indicators were the key to their success, social indicators also were widely applied by respondents to define their degree of success. Three respondents used employees' happiness and client satisfaction as an indicator for business success. A good reputation in the local (Chinese) community also represented success by three samples. As Cao stated, he was delighted to explain his business success saying, "trying to help others...try to help the community". Other respondents used family satisfaction and personal achievement for their success. Respondent Tang stated that he was successful because of family satisfaction:

...after I got to the U.S., I began to realize that it's also very important to accompany and support your kids while they grow up... Family, this is the most important thing... I deeply feel that family is much more important than business.  
(Translated from the Chinese.)



On the other hand, despite struggle for economic profits, long working hours, and stress and health issues, entrepreneurs shared a universal belief in their success (Valdez, 2011). Among both L.A. and Phoenix samples, nonpecuniary factors, such as management autonomy, flexible working hours, family satisfaction, and employees' happiness also triumphed. Social factors showed strong influences in measuring success. When either economic or social indicators fulfilled the Chinese entrepreneurs' desires, they believed that they reach a level success (see Table 13). It was important to notice that respondents modified their definition of success according to the achievement they had, either economically or socially. In the year of 2000 Tang's business goal was to expand his business and to create his own brand. However, the economic crisis around 2008 heavily damaged his business, so he had to reduce his business from 200 employees to his current 10 workers. Accordingly, he adjusted his definition of success, and stated that even though his business lost profitability, his family was more important to him. Since he could spend more time to be with his family, he still defined himself as success.

Table 13

*Are You Successful/Failure*

Are You Successful?	Number of L.A. Samples
Success	10
Failure/not success	4

**Path to Success.** L.A. respondents showed tendencies to perform community service and to prefer building connections with local and transnational ties. These respondents credited their social connections the most important in promoting their

business success. Eight L.A. respondents directly or indirectly elaborated on the above factors by using dialog such as “keeping the relationship”, “connections with the right people” (banks, employees, or clients), “serving the community”, and “the connection with the local community”. Two respondents clearly pointed out that their reputation was the key element that led to their success. Indeed, this was quite typical of Chinese oft quoted idiom: “that knowing the right people at the right time and place could lead to success”. Just as respondent Xin reiterated, success came along with “knowing the right people at the right time, you know. With a project coming up, you happen to be in the right place at the right time, puts you in the right position.”

Table 14

*Factors Leading to Business Success/Failure*

Success/Failure factors	Number of L.A. samples
Myself (courage, experience, knowledge, guts, working-hard, etc.)	5
Social capital	8
Luck	1

In the LA case study, it was still difficult for Chinese small businesses to obtain government capital since the business was still embedded in a structurally unequal market (Valdez, 2011). In such a disadvantage situation, Chinese small business owners understood the power of social capital and devoted their time, energy, and money into community service. However, they still often remained marginalized from the local society, and many still could not obtain enough support and resources from societal

connection; thus, their only resources to buttress their business was themselves and their family connections.

## **CONCLUSION**

When investigating the barriers that immigrant small business owners encountered, the findings revealed that even though the Chinese have a large population and a long immigration history in the L.A. metropolitan area, Chinese immigrant small businesses were still embedded in a structurally unequal market with a noticeable lack of social and government support. Ten L.A. respondents directly or indirectly revealed that through community services and political engagement, they could lessen the marginalization in the U.S. society. Among the respondents, Chinese entrepreneurs realized this disadvantaged situation, and had strong tendencies to devote time and money into local community service, realizing such effort would build strong social, political, and economic ties to the mainstream American market and help Chinese small businesses to grow.

With L.A.'s deeper immigrant roots and a larger market, Chinese small business owners seized the opportunities provided from transnational economic activities and undeniably benefited from this. Regarding investigations on what social connections provide help for immigrant small business owners to overcome their market barriers, the transnational connections and strong ties were essential in entrepreneurial business strategies. The advantage of "Made in China" was decreasing due to the labor and material costs in China. Chinese immigrant small business owners still obtained opportunities from Chinese-made products and were eager to explore potential opportunities in the large mainland China market by leveraging their bilingual, multi-

cultural backgrounds and transnational connections. This gave Chinese small businesses special advantages to expand their business and discover new opportunities. Thus, compared to the Phoenix samples, transnational connections provided more opportunities for entrepreneurs in the L.A. case study.

When investigating how social networks provide help for immigrant small business owners, the findings indicated that the most important social capital in this case study was still local connections. Respondents obtained start-up funds, affordable labor, and business information from their strong ties. Due to the characteristics of small businesses, the most important social connection was still family and friends. It was difficult for small businesses to trust and utilize resources from weak ties because business owners found it difficult to trust usable information from weak ties without verifying the information with their strong ties. Social capital in the L.A. area played a more significant role than in Phoenix. However, more than half the respondents stated that the right social connections led directly or indirectly to their business success or failure.

Consequently, Chinese immigrant small business owner in both Phoenix and L.A. shared many similarities. From their motivations for an entrepreneurial business start-up, the most common similarities were to pursue financial freedom and autonomy. Strong ties played an important role in their business strategies in both case studies. When they described their business goals, the respondents' entrepreneurial desires, such as making more money or branding their business names, were apparent in both case studies. However, compared to Phoenix, L.A. respondents benefited more from the more established Chinese communities, whether from local business service agencies or in

exploring transnational business opportunities. Therefore, L.A. respondents tended to be motivated to give back to the society more than their Phoenix counterparts. Next, I will further discuss the similarities and differences between these two case studies.

## Chapter 6 : Conclusion

My study investigates Chinese immigrant small businesses in Phoenix and Los Angeles to explore the importance and influence of social capital at different stages of business development. These two case studies focus on the nature, application and effectiveness of various forms of social capital used by Ethnic Chinese business owners. My research examines the embeddedness of Chinese immigrant entrepreneurs in the U.S. mainstream market and their businesses in a socio-cultural and economic environment that gave rise to both opportunities and barriers. Their stories of success and failure help to understand the role of social capital in these two Chinese immigrant business samples in L.A. and Phoenix. In addition, my study examines the use of social capital related to financing, labor, market opportunities, and perceptions of success and failure.

I reviewed the literature and theoretical history of social capital concepts and immigrant entrepreneurial researches in Chapter Two. By studying and reviewing relevant literature, I found that traditional immigrant entrepreneurial studies on social capital emphasized ethnic solidarity (Portes, 1980; Portes & Bach, 1985; Valdez, 2016) but, these studies lacked a comprehensive lens to view the variations embedded in class, gender, ethnicity<sup>15</sup>, and globalization (Romero & Valdez, 2016; Valdez, 2011, 2016; Wang & Warn, 2018). Therefore, to augment this issue, through different revisions and reconsiderations of the whole research project, I combined the theories and concepts of

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<sup>15</sup> My respondents consisted of ethnic Chinese from different regions, such as mainland China, Hong Kong, Taiwan, Vietnam, and American born Chinese.

social capital, embeddedness, intersectionality (class and gender issues), and transnationalism to guide this dissertation. I also investigated the potentially negative and positive effects of social capital. By utilizing this blended theoretical framework, I could be sensitive to the varied types and impacts of social capital in the lives of immigrant entrepreneurs.

By applying this approach, Chapter Three outlines the methodology used in my study. I utilized an in-depth interview methodology focused on respondent stories of their business history, goals, barriers, and opportunities in two different cities. I was also informed by grounded theory methodology in order to be open to unexpected findings and insights.

The research findings addressed my three theoretical questions:

1. What barriers do immigrant small business owners encounter?
2. What social connections provide help for immigrant small business owners to overcome those barriers or intensify their disadvantaged situations?
3. How do social networks influence immigrant small business development?

When utilizing the concepts of embeddedness and social capital to study Chinese small businesses, these three questions were answered in Chapter Four and Five. Regarding the first question, I found that Chinese entrepreneurs encountered economic, cultural and human capital deficiencies when they were embedded in a highly stratified American society with systemic inequalities. They encountered language barriers, deficiency obtaining financial funds, and labor shortages, and they could not apply their human capital developed in China to the local U.S. job market. Government capital was difficult to access by participating Chinese small businesses without professional backgrounds.

Only few of the respondents with affluent backgrounds in professional industries, such as construction, legal, and medical industries, benefited from government support programs for small business. When analyzing the second question, the findings reveal that local networks provided the most support. This data also elucidated the third question, and I found that local networks, especially strong ties from family and friends, provided financial support, affordable labor force, customers, and suppliers. Chinese entrepreneurs' local social ties, especially their strong ties, heavily influenced their personal and business decision making.

Several significant findings were derived from the second and third questions. The data revealed social capital is a multi-stage process that enabled business development through accessing start-up funds, recruiting a labor force, obtaining business information, seeking investors, and expanding into new markets. Notably, different business genres require different types of social capital. For example, within the service industry such as restaurants, local connections and ethnic ties derived from bonding social capital are important. Businesses in professional fields, such as medical and legal, relied more on bridging social capital, such as transnational connections and professional ties. Business owners utilized social connections to define and measure their business success/failure.



Another important finding indicated social capital was embedded in a complex, intertwined network. Thus, individuals with affluent backgrounds<sup>16</sup> were at an advantage in the utilization of their social connections to access financial resources. In contrast, those whose social connections (e.g., family, friends) had limited financial, social, and cultural resources, experienced more limited business opportunities. Respondents with less affluent backgrounds faced difficulties in connecting with well-resourced ties. This situation posed a major dilemma (a catch-22). Participating Chinese entrepreneurs with less resources found that they could not obtain investment resources because they had no money; however, once they accumulated enough money (or other resources) they found that it was easier to receive further financial investments. Subsequently, the data showed that it takes money to make money, and this finding reflected a common situation that immigrant entrepreneurs encounter from entrepreneurship literature such as Menjivar (2000) and Valdez (2011, 2016).

Interestingly, the findings from the Phoenix and L.A. case studies reveal that Chinese immigrant business owners generally describe strong ties and bonding social capital as more important than weak ties and bridging social capital for their small business, especially for the less mature businesses in the Phoenix case study. Strong ties and bonding social capital provide critical business essentials for Chinese entrepreneurs. Immigrants rely on strong ties and bonding social capital during their initial immigration

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<sup>16</sup> In this dissertation, affluent respondents referred to those individuals whose families are financially able to support their education and/or provide their start-up funds as well as giving them to access to additional resources.

settlement in the United States (Light & Bonacich, 1988; Menjivar, 2000). Participants use strong ties to verify weak ties to establish trust in weak ties. The data reflects the finding from Granovetter (1982) that strong ties produced more value in an uncertain situation. For immigrant entrepreneurs, the in-group loyalty, strong ties, and bonding social capital help to reduce transactional cost, such as developing strong ties with suppliers and ethnic customers and accessing resources in the host country (Putman 2001; Sequeira and Rasheed, 2006). The data also shows that when strong ties could not provide social, economic or emotional benefits, Chinese entrepreneurs tend not to utilize such connections. This finding supported Menjivar's (2000) study of the usage for strong ties among Salvadoran immigrants in that the status of strong/weak ties were not rigid. When immigrants could not rely on their family or friends to access resources, over time, immigrants gradually lost interest in those social connections and decreased the contacts in their business and personal goals. Consequently, those strong ties eventually turned into weak ties.

Further, overtime, transnational connections were a valuable resource for Chinese immigrant small businesses that were studied. Those connections allowed Chinese immigrant entrepreneurs to utilize their special cultural capital, language and know-how skills to find the niche market in China and America. Transnational connections helped business owners to bridge out from the limited ethnic market and find business opportunities in a broader market. Indeed, respondents in both case studies intended to use the weak ties, bridging social capital, as their breakout strategies to reach out to the mainstream and international markets. With their dual cultural backgrounds and know-how skills, transnational connections provided important support by helping respondent

immigrant business owners to acquire resources and develop businesses (Bagwell, 2018; Kariv, Menzies, Brenner & Filion, 2009; Saxenian, 2002; Wang & Warn, 2018).

## **VARIATIONS OBSERVED BETWEEN THE TWO CASE STUDIES**

The variations observed between the two case studies were rooted inside multiple dimensions of identity and collectivity within their intersectional backgrounds. Those factors intersected to create, cultivate, transform and portray immigrant entrepreneurs' life-chances within a highly stratified American society (Romero & Valdez, 2016; Valdez, 2011, 2016). For participating Chinese small business owners', social capital was embedded in their social relationships and highly influenced by their social and personal backgrounds. Through my interviews and observations, I found that class variations such as educational levels, work experience, and family financial support was an important factor that influenced their choice of job opportunities, entrepreneurial motivations, and business performance after arrival and settlement (Porte & Rumbaut, 2001, 2006; Valdez, 2011). Even though all respondents were small business owners, the variations among their family backgrounds played a significant role influencing their entrepreneurship. In both case studies, most respondents had received advanced degrees due to their affluent family backgrounds. This data reflected an entrepreneurial study that immigrants with stronger human capital were often equipped with more class resources (Kloosterman, 2010; Valdez, 2011; Wang & Warn, 2018).

Even though Chinese entrepreneurs were marginalized in the American society, their family backgrounds helped them to access resources, especially those respondents who benefited from China's economic development after 1980s'. This situation was more obvious in the L.A. study. Their affluent backgrounds allowed respondents access to

social relations equipped with more resources. Respondents with affluent family backgrounds easily accessed financial resources from strong ties. Family wealth strongly equipped respondents' market capital with educational investment and material support by loaning merchandise to sale, management skills, and accessibility to financial resources. Less affluent respondents had limited financial options and had to rely on personal savings and loans from strong ties, because they lacked a credit history, collateral, and reputation to attract financial investment.

Consequently, affluent, middle-class Chinese business owners were encouraged or challenged to start their businesses by transnational connections, entrepreneurial family backgrounds, or overcoming discrimination. Nevertheless, less affluent respondents' business motivations were to survive in the U.S., having "no other choice". The middle-class Chinese immigrant entrepreneurs' career choices reflect Bates, Bradford and Seamans's (2018) study of minority entrepreneurship in the twenty-first century America, in that, with better human capital from work experience and personal asset accumulated from business, the choice of entrepreneurship is popular among college-educated minorities.

Importantly, less affluent female entrepreneurs in this study had to endure less effective social connections and faced more barriers and challenges than their male counterparts. In this dissertation, there were five females among 23 respondents, four from Phoenix study and one from the L.A. study. Indeed, three of the five Chinese female entrepreneurs believed that they possessed less social, economic and human capital than male business owners. As first-generation immigrants, they were more vulnerable in the local job market because they had to put their family ahead of their career choice. Two of

the women with a less affluent family background, benefited little from their original families. The most effective social connections for these two female business owners were social connections derived from their marriage. Their start-up funds, business skill and market information were all from their spouses' family relationships. As their business developed, they encountered envy from their male and female counterparts. Because of limited social connections to help them to obtain business resources, they felt intensive competition from their colleagues with similar social capital upon entering the same business. Therefore, they felt restrained in their development by connecting with local Chinese communities. Immigrants with limited social capital could not provide support to avoid alienation and marginalization from stratified mainstream America society. Instead, they tended to focus their animosity against each other (McMichael & Manderson, 2004; Menjivar, 2000).

Among the five, only one female respondent with an affluent background and high human capital was able to use her transnational connections to develop a successful international business. Indeed, many male business owners in this research partnered with their wives, but those wives functioned in a supportive role in the business. Their role was to maintain the operation instead of expanding the business. Gender discrimination was generally overlooked by most respondents. Only one female respondent from the Phoenix case study claimed she experienced gender discrimination.

Further, all five female entrepreneurs revealed that they and their businesses were successful. However, two female entrepreneurs claimed they did not make a profit from the business. They did not use economic profit to measure their success. Instead, they used social indicators to measure their success such as "being a good mother", "achieving

goals”, “obtaining respect and appreciation” and “having influence in the Chinese community”. This reflected Aldrich’s and Cliff’s (2003) point of view that the dual burden of work and household responsibilities hinder individual female entrepreneurship because they start their business as part of a spousal team. As a reflection of gender discrimination, participating female business owners with less family wealth were less equipped to start their business. Thus, with less human capital than their male counterparts, female respondents heavily relied on their local strong ties, because these strong ties could help them to access resources with lower cost such as financial support, labor, customers, and suppliers. For them, strong ties played a significant role from business start-up to business development.

Class and gender disadvantages were two important elements that might impede entrepreneurial success (Aygoren & Nordqvist, 2015; Jurik, 2005; Romero & Valdez, 2016; Valdez, 2011, 2016; Wang & Warn, 2018). As a result, respondents tended to not judge their business performance, or use social and personal achievements to define success. This finding reflected Valdez’s point of view (2011, 2106) that immigrant business owners tended to redefine their criteria of business success according to the achievements they made, socially or personally.

**The Phoenix and L.A. markets.** Respondents’ social capital is embedded in the U.S. society, the L.A. and Phoenix markets, and the individuals’ backgrounds. In the macro-level the institutional framework between the United States and China, respondents were influenced by the bilateral political environment. L.A. has historical roots of Chinese immigration and is the sister city of Guangzhou, China. In the 1980s this relationship provided business opportunities for participating business owners. On the

other hand, Phoenix is a relatively new destination for immigration with a relatively small customer base in comparison to L.A. In Phoenix, Chinese social connections tend to concentrate on settling new immigrants as well as providing new business opportunities. In addition, Phoenix as an inland city has less transnational business opportunities. Therefore, in the Phoenix market, Chinese immigrants' social connections have less access to resources. Hence, their limited social ties compound their already disadvantaged social and market positions in the United States. This reflected Menjivar's (2000) finding that immigrants with restricted resources could only provide their family and friends with limited resources. She referred to this kind of social connections as fragment ties, and such ties intensified immigrants' disadvantages. The lack of social relationships and resources made it difficult to move out of these disadvantaged markets (Menjivar, 2000; Sanders & Nee, 1996; Valdez, 2011, 2016; Wang & Warn, 2018). Based on the variation from class, gender, ethnicity, and location, there were similarities and differences between two case studies as shown in Table 15-16.

Table 15

*Comparison Between Phoenix and L.A. Case Studies: Similarities*

Business starting Motivations	Financial freedom and management autonomy; Disadvantaged in local job market; Influence from strong ties
Entrepreneurial Barriers	Economic capital, government capital, American cultural capital, connections with American society
Start-up Funds	Personal savings, family support
Base of Employment	Chinese ethnic community
Business partnership	Co-owned family business
Definition of Success	No definition or social and personal achievements
Method to achieve success	Individualism

**Differences.** Table 16 explicitly defines the difference between Phoenix and L.A. Based on my findings, the most obvious difference was the usage of respondents' social capital, especially the use of transnational connections. L.A. respondents inherited entrepreneurial capital from their family, and they were able to use their social connections from China effectively to access transnational resources and to find their niche market and expand their businesses. These successes motivated L.A. respondents to become entrepreneurial business owners. For financial resources, L.A. middle-class



respondents were able to use their social connections to obtain transnational investors and bankers. The less affluent respondents in Phoenix often had difficulty in using their transnational connections as well-resourced ties for business purpose. Instead they used local ties for business development.

Another important difference was business strategies. For less affluent Phoenix respondents, their breakout strategies were very specific such as breaking into the mainstream market, building connections with bankers, and joining a professional association. L.A. respondents with affluent backgrounds, particularly those who experienced civil right movements, had a higher vision. They devoted themselves to community service, and their breakout strategy consisted of building better social and political environments for immigrants. However, one interesting finding was that immigrants who came to the United States within the last 20 years showed less interest in social responsibility and focused more on connections for personal interests, even those with affluent backgrounds. They avoided physically joining local social or political activities, and heavily rely on Chinese social media for social connections. As a result, the less affluent respondents undervalued their social capital and claimed that social connections, *guanxi*, was a minor factor for their business. From my interviews and observations, I found that although social capital was an important element for Chinese immigrant small businesses, the significance of social capital was greatly undervalued by Phoenix respondents, and social capital was an overlooked factor for their business success/failure. To the contrary, in the L.A. case study, social capital was recognized as an important factor for business success/failure.

Table 16

*Comparison between Phoenix and L.A. Case Studies: Differences*

	Phoenix Case	Los Angeles Case
Business starting Motivations	Less affluent family; No career ceiling; No transnational connections	Affluent family; Blockage in advancing career development; Transnational connections
Entrepreneurial Barriers	Smaller customer base	Large customer base
Location Choice	Family immigration	Education; Business opportunities
Start-up Funds	Personal savings; family support	Investors
Most important SC for business development	Local connections	Transnational connections; Government agencies
Business strategies	Build connections with mainstream agencies (e.g. bankers, professional associations)	Strengthen Chinese community; International trade
Method to achieve success	Individualism; Social capital is unimportant	Social connections

**THE NEGATIVE IMPACTS FROM SOCIAL CAPITAL**

Social capital not only provided business opportunities, but it also created issues. My findings from the competition within the Chinese community reflected Valdez's (2011) analysis on competition in homogenous businesses. Entrepreneurial isomorphism created trust issues for immigrant small business owners when they faced competition from their old employees. Furthermore, Chinese business owners tended to rely on the local Chinese enclaves which made it difficult to merge into the mainstream market as discussed by Yeung (2000), and Wang and Warn (2018). Additionally, my respondents tried to join organizations from the mainstream society to expand their social contacts.

However, they found it was a waste of time, energy, and money. They felt marginalized and those efforts did not produce economic rewards. My Chinese business owner interviewees felt social capital was a burden because of the cost, energy, and time required to maintain their social relationships. When participants received support from the ethnic Chinese community, they felt an obligation to reciprocate by offering jobs to other Chinese new comers, giving donations to social events, providing business opportunities to other ethnic firms, and organizing community activities. This turned business owners into “welfare hotels” (Portes, 1998).

In summary, the findings of this dissertation revealed that social capital formed an important interaction among Chinese immigrants, their business progress, motivation, strategies, and their success/failure. Social capital functioned accordingly throughout all stages in business development. For less affluent respondents, local social connections played a significant role. It was difficult for less affluent small business owners to effectively utilize their social connections to achieve their desirable business goals. Accordingly, having ineffective resources required the business owners to work harder, be attentive to ethnic customers, and lowered business expectations. The social, cultural and political disadvantages caused these immigrants to lower their social expectations within the discriminating market (McMichael & Manderson, 2004; Menjivar, 2000; Sequeira & Rasheed, 2006; Valdez, 2011, 2016). When they encountered barriers such as lack of funds, language and culture barriers, and labor shortages, they greatly benefited from strong ties and ethnic solidarity for start-up funds, affordable labor, and loyal ethnic customers at the beginning stage of the business. When their business developed, they realized the need for weak ties for their breakout strategies. Less affluent small business

respondents tended to use strong ties to verify weak ties to establish trust. For those situated in a more vulnerable and marginalized market, strong ties were the most effective element to reduce transaction cost and obtain business information. The data also showed that when strong ties could not provide social, economic or emotional benefits, Chinese entrepreneurs tended not to utilize such connections.

On the other hand, respondents with affluent backgrounds would be able to mobilize their social ties to access useful resources for their business development. For respondents with affluent backgrounds, strong ties provided business information and financial support in the start-up period. With a developed business, weak ties, such as transnational and professional connections, provided and developed more entrepreneurial resources. Respondents with more familial capital also used their social capital to overcome barriers by having more choices than less affluent counterparts. When they encountered language, cultural and systemic barriers, they had enough money to hire local bilingual professionals to solve those issues. When they lacked funds, they were able to find investors or used their human capital to find a well-paid job to accumulate funds and business experiences. When they faced competition from mainstream competitors, they were able to use their transnational connections, bilingual skills, and know-how skills to advance their market position. Social capital helped respondents to overcome system inequality and access resources. However, it is important for scholars to continue to investigate the unpleasant outcomes from social capital (Bates, Bradford & Seamans 2018; Menjivar, 2000; Portes, 1998; Putnam, 2001; Wacquant 1998; Wang & Warn, 2018).

From the findings, this dissertation's scholarly contribution adds to the field of social capital studies by combining the investigation of social capital, embeddedness, intersectionality and transnational connections in respect to study immigrant entrepreneurship. This effort allowed me to investigate the role of social capital from a comprehensive analysis by referring to class, gender and geographic variations. By doing so, this dissertation shows that respondents' social connections shaped their business types. Their social connections motivated respondents to start their business in different industries. Additionally, their business characteristics also generated social relations. Local service businesses tended to form relationships with strong ties and local communities. I found that professional businesses helped Chinese immigrant small business owners to develop connections with professional organizations, government agencies and transnational ties. Intersectional background from class, gender and business location affected their social relationships. Female Chinese small business owners relied on their strong ties more than their male counterparts. Respondents with affluent background were able to expand their business connections transnationally. All these factors heavily influenced their businesses.

## **POLICY IMPLICATIONS**

These data will be useful by U.S. government agencies as a reference enhance immigrant entrepreneurship programs. The Chinese community is complicated, and it is composed of different ethnic groups and people with various political preferences. As Ong (2006) argued that a diasporic community should not be assumed based on the composition of those belonging to the same ethnic group or a same homeland that it is unified. Therefore, the policymakers should recognize the complexity of the Chinese

community and offer various programs for immigrant small businesses that will capitalize on their diverse backgrounds. In different markets, government agencies should provide different programs for immigrant small business accordingly. Government agencies should consider cost effective and multi-language programs to help immigrant small businesses. Moreover, government should encourage transnational economics for immigrants and provide a friendly environment to foster global trade. Government agencies should understand Chinese small business owners experience discrimination, marginalization and isolation from the American mainstream society, and should make policy accordingly.

#### **LIMITATIONS AND FUTURE STUDY**

As this dissertation focused on social capital, I feel additional studies would be beneficial. According to Fong and Luk (2006), there are insufficient studies of transnational linkages. To further understand transnational entrepreneurial social capital interactions, additional in-depth analysis of the positive and negative factors associated with transnational interactions would be of value by adding research on investigation of business failure and survivors between China and the United States, such as a research study on why Chinese immigrant business owners, whose business failed in the United States, returned back to China. The analyses should be coupled with conceptual and empirical studies of transnationalism and the inclusion of more variations such as an investigation of the social capital of Chinese small businesses in China and the United States. The analyses should also include the study of successful business owners as well as those who experienced failure in market. To study failure would provide a different point of view in the study of entrepreneurial and social capital.

## Endnotes

<sup>i</sup> This paper utilized and defined the term “small business” based on specific definitions from the U.S. Small Business Administration that defines the small business category of manufacturing to be from five to fifteen hundred employees and the category of wholesaling to be one hundred to two hundred and fifty employees. The small business size of food services ranges from 7.5 to 38.5 million dollars and retail industries an average of 7.5 million dollars in annual receipts. Additional information can be found in small business Federal Regulations in the U.S. Small Business Administration website. “Size standards define the largest size a business can be to participate in government contracting programs and compete for contracts reserved or set aside for small businesses. Size standards vary by industry and are generally based on the number of employees or the amount of annual receipts the business has. Annual receipts: This is the “total income” (or “gross income”) plus the “cost of goods sold.” These numbers can normally be found on the business’ IRS tax return forms. Receipts are averaged over a business’ latest three complete fiscal years to determine the average annual receipts. If a business hasn’t been in business for three years, multiply its average weekly revenue by 52 to determine its average annual receipts. Employee calculation: This is the average number of people employed for each pay period over the business’ latest 12 calendar months. Any person on the payroll must be included as one employee regardless of hours worked or temporary status. The number of employees of a concern in business less than 12 months is the average for each pay period that it has been in business.” Retrieved from <https://www.sba.gov/federal-contracting/contracting-guide/size-standards#section-header-0>

<sup>ii</sup> In most literature about entrepreneurship, some common characters describe an entrepreneur, such as risking taking, innovative, recognizing opportunities, etc. “Entrepreneurs are individuals who innovate, identify and create business opportunities, assemble and co-ordinate new combinations of resources (i.e. production functions) so as to extract the most profits from their innovations in an uncertain environment” (Amit, Glosten, and Mueller, 1993, p. 817).

<sup>iii</sup> Some scholars, such as Robin Cohen (1997), view Chinese Diasporas as “trade Diasporas” (in Ma and Cartier, 2003, p. 28). Others such as Laurence J. C. Ma and Carolyn Cartier (2003) criticized this term as too narrow to capture the complexity of economic, social, and political issues found among the Chinese Diasporas. Chinese Diasporas trading circles have been active across borders for many centuries, but for the earlier immigrants, transnational enterprises did not proliferate because of the shortage of international communications technologies (Portes, Guarnizo and Landolt, 1999).

<sup>iv</sup> A diaspora is a scattered population originated from the same ancestor (Elo, Sandberg, Servais, Basco, Discua Cruz, Riddle, & Täube, 2018; Li & Chan, 2018). “There are broadly two approaches to defining diaspora: a traditional paradigm which sees diaspora as produced by some form of coercion that leads to the uprooting and resettlement outside the boundaries of the homeland of large numbers of people; and a post-modern reading of diaspora by anthropologists and cultural critics, which sees it as expressing modes of ‘hybrid’ consciousness and identity. In the traditional account, derived from the Jewish diaspora, six features are significant :dispersal, collective

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memory, alienation, respect and longing for the homeland, a belief in its restoration, and self-definition in terms of this homeland.<sup>1</sup> Since the late 1960s, broader definitions of diaspora have emerged in this tradition; and diaspora has come to be used for a wide range of dispersions of populations: expatriates, expellees, political refugees, alien residents, immigrants and ethnic and racial minorities.” (Hickman, 2005, p. 118-119).

<sup>v</sup> “Chinese” is a very complicated concept to define. According to Wang (2011), the English Chinese cannot fully express and include diverse terms in the Chinese language. The identity of Chinese outside of the People’s Republic of China is complicated because of political and historical reasons. I discussed the complexity of “Chinese-ness” in my paper “Categorizing and Defining Social Capital with Respect To Chinese Small Business.”

<sup>vi</sup> In this dissertation a TNCs or MNC refers to a business which owns the production of goods or services in at least one country in addition to its home country. TNCs and MNCs radically challenge the concept of nation-state (Vertovec, 2010). Some scholars, such as Tilly (1994) and Evans, Rueschemeyer, and Skocpol (1985), considered that nation-states are a proper context in which to analyze the global progression of the world economy (Kentor, 2005). Charles Tilly discussed the emergence of modern nation-states and how they affect economies. Because of the close relationship between states where political power is embedded and cities where economic power resides, the modern nation-states arise. The modern nation-states control political and economic power in which multinational and transnational corporations are embedded (Dunning, 1992). Several scholars (Kindleberger, 1969; Sklair, 1995, 2001; McMichael, 2000; Robinson, 2004) suggested that transnational corporations gradually marginalize nation-states. From the 1970s, the global dispersion of production emerged as companies sought lower labor costs, closer potential markets and raw material, and the means to diffuse the power of labor (Sassen, 1991). The penetration of foreign interests into developing countries facilitated a global diffusion of production, and this gradually progressed to the prevalence of transnational corporations. The emergence of transnational corporations caused the coalescence of economic and coercive power to decline in the last few decades of the 20th century (Dunning, 1992).

<sup>vii</sup> In this dissertation, the term of Chinese immigrant business owners refers to Chinese immigrants who own a business in the United States. Chinese transnational entrepreneurs refer to people own a business or have business relationships between two countries, such as between China and the United States. Chinese Diaspora refers to individuals from a common Chinese ancestral homeland and settles in different places.

<sup>viii</sup> Putnam’s definition on social capital: “Whereas physical capital refers to physical objects and human capital refers to properties of individuals, social capital refers



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to connections among individuals—social networks and the norms of reciprocity and trustworthiness that arise from them. In that sense social capital is closely related to what some have called “civic virtue.” The difference is that “social capital” calls attention to the fact that civic virtue is most powerful when embedded in a dense network of reciprocal social relations” (Putnam, 2001, p. 19).

<sup>ix</sup> “The habitus is the product of the work of inculcation and appropriation necessary in order for those products of collective history, the objective structures (e.g. of language, economy, etc.) to succeed in reproducing themselves more or less completely, in the form of durable dispositions, in the organisms (which one can, if one wishes,, call individuals) lastingly subjected to the same conditionings, and hence placed in the same material conditions of existence” (Bourdieu, 1977, p. 85).

<sup>x</sup> Field is another important concept to construct his theoretical system. Field was created by Bourdieu, to define the system by which individuals of a certain group recognize social positions, with social positions being a symbolic space where individuals are located within a given hierarchy. A field consists of a set of objectives, historical relations between positions anchored in certain forms of power (or capital), while habitus consists of a set of historical relations “deposited” within individual bodies in form of mental and corporal schemata of perception, appreciation, and action (Bourdieu & Wacquant, 1992, p. 16). Each social location has its rules, schemes of domination and legitimate opinions. Bourdieu believed that individuals were born into a certain culture and class social system. And one finds their disposition in the system through their feeling, thinking, speaking and behavior. The habitus, field, and capital momentum helped in the development of Bourdieu’s conceptual system.

<sup>xi</sup> Coleman’s definition of social capital: “Social capital is defined by its function. It is not a single entity, but a variety of different entities having tow characteristics in common: they all consist of some aspect of a social structure, and they facilitate certain actions of individuals who are within the structure... Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence. Like physical capital and human capital, social capital is not completely fungible, but is fungible with respect to specific activities...social capital inheres in the structure of relations between persons and among persons. It is lodged neither in individuals nor in physical implements of production” (Coleman, 1990, p. 302).

<sup>xii</sup> “Confucianism is very influential<sup>220</sup> in East Asia and tells us that virtues must be nurtured at the individual level and then built up from the individual level through to the level of the world. Daxue, Great Learning, has the passage about this: kewu, zhizhi,

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xiushen, qijia, zhiguo, pingtianxia. Literally translated, tackle things, reach knowledge, nurture your virtue, take care of your family, govern the state, and pacify the world under heaven. But most important is the thinking that peace and stability must be built from the bottom up and that each individual must nurture a virtuous self and only on that basis can peace and stability of the family, the state and the world under heaven be achieved. The starting point is to inculcate virtue into yourself. Since everyone is taught to be a good-natured man, we tend to assume that other persons are all more or less good-natured. Here we find a commonality with the thought of social capital” (Inoguchi, Mikami and Fujii, 2007, p. 411).

<sup>xiii</sup> Guanxi: “It is composed of two Chinese characters, guan (gate) and xi (connection). One must pass the gate to get connected to networks. As such, guanxi generally refers to relationships or social connections based on mutual interests and benefits (yang, 1994). It is a special type of relationship that bonds the exchange partners through reciprocal obligations to obtain resources through a continual cooperation and exchange of favors (Chen, 1995; Davies, 1995)” (Wang, 2007, p. 81).

<sup>xiv</sup> The Greater China Area includes Mainland China, Hong Kong, Macao, and Taiwan.

<sup>xv</sup> “...the capacity to mobilize resources based on the recognition of shared group affiliations (Coleman 1988; Portes and Sensenbrenner 1993). The accumulation of social capital by affiliated members of a given group generates economic and noneconomic resources and support that may facilitate...social and economic incorporation, or socioeconomic assimilation, thereby advancing the group as a whole...benefit disproportionately from social relationships rooted in their racial, ethnic, and gender group affiliations, which create the conditions for social capital resources to emerge, such as co-ethnic, co-racial, or male-dominated business information networks, or some combination of the three, or opportunities for informal or semiformal lending” (Valdez, 2011, p. 4-5).

<sup>xvi</sup> “Trust is defined as ‘the expectation that arises within a community of regular, honest, and co-operative behavior, based on commonly shared norms, on the part of other members of the community . . . these communities do not require extensive contractual and legal regulation of their relations because prior moral consensus gives members of the group a basis for mutual trust’ (1995: 26)” (Schuller, Baron, and Field, 2000, p.16).

<sup>xvii</sup> All groups embodying social capital have a certain radius of trust, that is, the circle of people among whom co-operative norms are operative. If a group's social capital produces positive externalities, the radius of trust can be larger than the group itself. It is also possible for the radius of trust to be smaller than the membership of the group, as in

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large organizations that foster cooperative norms only among the group's leadership or permanent staff" (Fukuyama, 2001, p.8).

<sup>xviii</sup> "[A]ll societies 'have-nots' are less trusting than 'haves', probably because 'haves' are treated by others with more honesty and respect. In America, blacks express less social trust than Caucasians, the financially distressed less than the financially comfortable, people in big cities less than small-town dwellers, and people who have been victims of a crime or been through a divorce less than those who haven't had these experiences" (Putnam, 2001, p. 138).

<sup>xix</sup> "Commonalities in experiences of departure from the home country and conditions at arrival in the United States create bonds among immigrants and give rise to a multiplicity of social networks that frequently coalesce into tightly knit ethnic communities. The social capital emerging from the monitoring capacity of these communities is best referred to as enforceable trust" (Portes and Sensenbrenner, 1993, p. 1332).

<sup>xx</sup> "The concept of ethnic economy derived from the historical sociology of Max Weber and Werner Sombart (Berger, 1991) and, following them, from the literature of middleman minorities (Zenner, 1991). The concept of ethnic economy split away from the parent concept of middleman minority seven years after Bonacich's (1973) influential article appeared. Modell (1977:94) used the term "ethnic economy" to describe "a kind of ethnic-based welfare capitalism" among Japanese Americans before World War II without operationally defining the concept of ethnic economy. Bonacich and Modell (1980) were the first to define the concept of ethnic economy, by which they mean the self-employed and their co-ethnic employees (1980). They identify the ethnic economy of a city, region, or nation, but an ethnic economy always includes all workers in these two categories; workers whose employers are not co-ethnics are excluded. In this sense, Miami's Cuban ethnic economy would comprise self-employed Cubans and their Cuban employees. It would not include Cubans who worked for wages in the general economy." (Light, Sabagh, Bozorgmehr & Der-Martirosian, 1994, p. 66).

<sup>xxi</sup> "The middleman- minority approach has been used to describe ethnic minority groups that are in intermediate positions between the ruling elite and the people they rule. The middleman-minority theory posits that the sojourning orientation of ethnic group members, ethnic solidarity, and the hostile environment in the host society contribute to the rise of middleman minorities." (Zhou in Butler and Kozmetsky, 2004, p. 38).

<sup>xxii</sup> "a country or an outlying portion of a country, entirely or mostly surrounded by the territory of another country" (Waldinger, 1993, p. 448).

<sup>xxiii</sup> "...the word enclave has no conceptual status in the urban or immigration literatures. However, the concept of 'enclave economy' is meaningful in development

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studies...The development literature defines an enclave economy as a sector that has virtually no connections with the domestic economy...With the exception of labor, which is sourced domestically, and enclave economy imports every input and exports every output. Most importantly, profits are exported; consequently, enclave economies fail to generate growth in other sectors...the debate with which I am concerned here turns the concept of 'enclave economy' upside down. As in the case of developing economies, the ethnic enclave economy is detached from the general economy" (Waldinger, 1993, p. 448).

xxiv "The weaker connections between groups...are holes in the social structure of the market. These holes in social structure—or more simply, structural holes—create a competitive advantage for an individual whose network spans the holes (Burt, 1992). The structural hole between two groups does not mean that people in the groups are unaware of one another. It only means that the people are focused on their own activities such that they do not attend to the activities of people in the other group" (Burt, 2000, p. 208).

xxv "...these professional sources reveal that they tend to promote entrepreneurship in certain industries, for example, self-employment in real estate, the motel and hotel industry, computer businesses, and import/export businesses. This can be hypothesized as having certain impacts on the economic pursuit of Taiwan immigrant" (Tseng, 1995, page 38).

xxvi "They appear to have some ties to the more technically sophisticated sector of the Chinese community through their association, the Chinese American Computer Corporation, as well as through personal and alumni networks. These ties allow the wholesale and retail communities to learn quickly about technology trends as well as to provide market feedback" (Saxenian, 2002, p. 8).

xxvii "This is a unique term in Chinese cultures, often referring to one's emotional responses when confronting various situations of daily life, a resource that one can present to another person as a gift in the social exchange process, and a set of social norms that one should follow to get along well with other people (Hwang, 1987)" (Wang, 2007, p.82).

xxviii The business owners revealed a strong desire to utilize bridging social capital to help them to reach beyond, break-out of, the Chinese enclave and penetrate the mainstream U.S. market and thereby increase profits. Although most respondents expressed anxiety in merging into the American mainstream society and markets, they did indeed enjoy having non-Chinese clients.

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<sup>xxix</sup> Fairlie and Fossen (2018) defined individuals with a wage/salary job before a business as opportunity driven entrepreneurs. And individuals who initially registered as unemployed as necessity entrepreneurs.

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APPENDIX A.  
INTERVIEW QUESTIONS

Nature of enterprise:

1. What is your main business?
2. What is your role in the business?
3. Other owners (ethnic, geographic members?)
4. What is your American dream/goal(s) (immigration, freedom, new life---)? Can you describe?
5. Goal of business
  - Changes in business goals over time
  - Changes in business operations over time

History of enterprise:

1. When did do you immigrate to the U.S. and stay in the city where your business located?
2. What reason(s) brought you to the U.S.?
3. What were some of the factors you considered when choosing to make Los Angeles/Phoenix your home?

Nature of enterprise:

1. What is your main business?
2. What is your role in the business?
3. Other owners (ethnic, geographic members?)/Does it a family owned business?



4. What is your American dream/goal(s) (immigration, freedom, new life---)? Can you describe?
5. Goal of business
  - Changes in business goals over time
  - Changes in business operations over time (If a family owned business, will it obtain a professional plan and outside management?)

History of enterprise:

1. When did do you immigrate to the U.S.?
2. What reason(s) brought you to the U.S.?
3. What were some of the factors you considered when choosing to make Phoenix / (Los Angeles) your home?
4. How and why did the business start?
5. Before this business what was your occupation?
6. Entrepreneur current activities relates to local, regional, national, transnational connections:
7. Where is your main market? What are your major clients-customers? (is the main market an ethnic clientele?) Do you feel you are adequately connected to the mainstream market? Do you feel like you are disconnected from the mainstream market? (why, how?)

8. What ethnicity are your employees? (Nature and race-ethnicity)? How do you recruit them?
9. Who are your primary competitors? What are your differences/advantages/disadvantages with regard to your competitors?
10. Do you feel adequately connected to the local community (ethnicity, business, organization)? (why, how?) Do you feel adequately connected to the regional community (ethnicity, business, organization)? (why, how?) Do you feel adequately connected to the national market (ethnicity, business, organization)? (why, how?) Do you feel adequately connected to the transnational community (ethnicity, business, organization)? (why, how?)
11. Are you a member of a local, regional, national, or transnational association?  
Does it help or create barriers for your business? How?
12. What types of networks (business/ethnic) are you a part of? Please list. (Is this a local business? Regional? National? International?)
13. Where do your major suppliers come from (local, regional, national, transnational)?
14. Are these local networks comprised of any of the following? (Family, friends, clients, customers, other businesses that you work with, competitors)? Are your local networks primarily of Chinese descent, or do they include other races and ethnic groups? (Please explain).
15. How do you obtain your business information? (through local, regional, national, transnational connections?)

16. Please list 2 or 3 of these networks are the most important for your business (how they help your business)? What social connections do you think create the most concern for your business? Why?
17. Who do you think provide most benefit to your business? (friends, relatives, neighbors, or others)? If others, who are they? How often do you connect them?
18. Do those people who provide valuable business opportunities even though you rarely connection with, become close friends overtimes?
19. Do you trust business information which comes from a person you rarely connect with? Why?
20. What (if any) linkage do you have back in China that pertain to your business? (how are these related to your business? Who is in these networks? Are they helpful or problematic for your business? Any additional networks of this sort? Have them list all and comment on each as helpful or not?
21. Why you keep your Chinese connections? (local, regional, national, transnational?)
22. What networks would you like to connect with that you are NOT now a part of? How would they benefit your business? (what/who is missing)
23. What social connections you want to avoid over time? Why?
24. What are the biggest advantages of keeping Chinese connections?
25. What are the biggest barriers to keeping Chinese connections?
26. What are the biggest advantages of keeping connections with other non-Chinese

groups?

27. What are the biggest barriers in keeping connections with non-Chinese local ethnic group?

28. Where do your financial resources come from?

- Family
- Bank loan
- Equity loan
- Government financial aids
- Overseas investors
- Local investors
- Other

Influence of local, regional, national, transnational linkages on business plan:

1. Will you change your business plan base on your connections with local, regional, national, transnational connections? How? Why?
2. Have you considered moving your business to other locations base on your linkages?
3. How do you define business success/ failure? Do you think your business is a

success or failure? What kind of social connections have the most powerful influence in achieving success or lead you to failure? Why?

Future plans:

1. What do you see yourself in the next 5 years (overall)? Your business?
2. What do you need to achieve your business goals?

APPENDIX B.  
IRB LETTER

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Office of Research Integrity and Assurance

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**To:** Nancy Jurik  
WILSN

**From:**  Mark Roosa, Chair  
Soc Beh IRB 

**Date:** 11/21/2011

**Committee Action:** Exemption Granted

**IRB Action Date:** 11/21/2011

**IRB Protocol #:** 1111007092

**Study Title:** Transitional Linkages im Chinese Small Businesses

The above-referenced protocol is considered exempt after review by the Institutional Review Board pursuant to Federal regulations, 45 CFR Part 46.101(b)(2).

This part of the federal regulations requires that the information be recorded by investigators in such a manner that subjects cannot be identified, directly or through identifiers linked to the subjects. It is necessary that the information obtained not be such that if disclosed outside the research, it could reasonably place the subjects at risk of criminal or civil liability, or be damaging to the subjects' financial standing, employability, or reputation.

You should retain a copy of this letter for your records.